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Union Calendar No. 277

100th Congress, 1st Session

S. Rept. No. 100-216

H. Rept. No. 100-433

Report of the Congressional Committees Investigating the

Iran-Contra Affair

Appendix B: Volume II
Depositions

Daniel K. Inouye, *Chairman*,
Senate Select Committee
Lee H. Hamilton, *Chairman*,
House Select Committee

U.S. Senate Select Committee
On Secret Military Assistance to Iran
And the Nicaraguan Opposition

U.S. House of Representatives
Select Committee to Investigate
Covert Arms Transactions with Iran

November 13, 1987.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed.

November 17, 1987.—Ordered to be printed.

Washington : 1988

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United States Senate

SELECT COMMITTEE ON SECRET MILITARY
 ASSISTANCE TO IRAN AND THE NICARAGUAN OPPOSITION
 WASHINGTON, DC 20510-6480


March 1, 1988

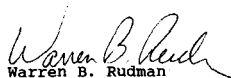
Honorable John C. Stennis
 President pro tempore
 United States Senate
 Washington, D.C.

Dear Mr. President:

We have the pleasure to transmit herewith, pursuant to Senate Resolution 23, Appendix B to the final Report of the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition. We will submit such other volumes of Appendices to the Report as are authorized and as they become available.

Sincerely,


 Daniel K. Inouye
 Chairman


 Warren B. Rudman
 Vice Chairman

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SELECT COMMITTEE TO INVESTIGATE
COVERT ARMS TRANSACTIONS WITH IRAN
UNITED STATES CAPITOL
WASHINGTON, DC 20515
(202) 225-7902

March 1, 1988


The Honorable Jim Wright
Speaker of the House
U. S. Capitol
Washington, D. C. 20515

Dear Mr. Speaker:

Pursuant to the provisions of House Resolutions 12 and 330 and House Concurrent Resolution 195, 100th Congress, 1st Session, I transmit herewith Appendix B to the Report of the Congressional Committees Investigating the Iran-Contra Affair, House Report No. 100-433, 100th Congress, 1st Session.

Appendix B consists of the depositions taken by the Select Committees during the investigation. The contents of Appendix B have been declassified for release to the public.

Sincerely yours,


Lee H. Hamilton
Chairman

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Chatham, Benjamin P.
CIA Air Branch Chief.
CIA Air Branch Deputy Chief.
CIA Air Branch Subordinate.
CIA Chief.
CIA Communicator.
CIA Identity "A".

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CIA Officer.
Clagett, C. Thomas, Jr.
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Cole, Gary.
Communications Officer Headquarters, CIA.
Conrad, Daniel L.

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DEA Agent 1.
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McLaughlin, Jane E.

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Makowka, Bernard.
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Volume 20

Motley, Langhorne A.
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Owen, Robert W.
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Proprietary Manager.
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Trott, Stephen S.
Tull, James L.
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Watson, Samuel J., III.
Weinberger, Caspar.
Weld, William.
Wickham, John.
Zink, Gregory (See Alfred Clark).

Preface

The House Select Committee to Investigate Covert Arms Transactions with Iran and the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition, under authority contained in the resolutions establishing them (H. Res. 12 and S. Res. 23, respectively), deposed approximately 290 individuals over the course of their 10-month joint investigation.

The use of depositions enabled the Select Committees to take sworn responses to specific interrogatories, and thereby to obtain information under oath for the written record and develop lines of inquiry for the public hearings.

Select Committees Members and staff counsel, including House minority counsel, determined who would be deposed, then sought subpoenas from the Chairmen of the Select Committees, when appropriate, to compel the individuals to appear in nonpublic sessions for questioning under oath. Many deponents received separate subpoenas ordering them to produce certain written documents.

Members and staff traveled throughout the United States and abroad to meet with deponents. All depositions were stenographically reported or tape-recorded and later transcribed and duly authenticated. Deponents had the right to review their statements after transcription and to suggest factual and technical corrections to the Select Committees.

At the depositions, deponents could assert their fifth amendment privilege to avoid self-incrimination by refusing to answer specific questions. They were also entitled to legal representation. Most Federal Government deponents were represented by lawyers from their agency; the majority of private individuals retained their own counsel.

The Select Committees, after obtaining the requisite court orders, granted limited or "use" immunity to about 20 deponents. Such immunity means that, while a deposed individual could no longer invoke the fifth amendment to avoid answering a question, his or her compelled responses—or leads or collateral evidence based on those responses—could not be used in any subsequent criminal prosecution of that individual, except a prosecution for perjury, giving a false statement, or otherwise failing to comply with the court order.

An executive branch Declassification Committee, located in the White House, assisted the Committee by reviewing each page of deposition transcript and some exhibits and identifying classified matter relating to national security. Some depositions were not reviewed or could not be declassified for security reasons.

In addition, members of the House Select Committee staff corrected obvious typographical errors by hand and deleted personal and proprietary information not considered germane to the investigation.

In these *Depositions* volumes, some of the deposition transcripts are followed by exhibits. The exhibits—documentary evidence—were developed by Select Committees' staff in the course of the Select Committees' investigation or were provided by the deponent in response to a subpoena. In some cases, where the number of exhibits was very large, the House Select Committee staff chose for inclusion in the *Depositions* volumes selected documents. All of the original

exhibits are stored with the rest of the Select Committees' documents with the National Archives and Records Administration and are available for public inspection subject to the respective rules of the House and Senate.

The 27 volumes of the *Depositions* appendix, totalling more than 30,000 pages, consist of photocopies of declassified, hand-corrected typewritten transcripts and declassified exhibits. Deponents appear in alphabetical order.

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Publications of the Senate and House Select Committees

Report of the Congressional Committees Investigating the Iran-Contra Affair,
1 volume, 1987.

Appendix A: *Source Documents*, 2 volumes, 1988.

Appendix B: *Depositions*, 27 volumes, 1988.

Appendix C: *Chronology of Events*, 1 volume, 1988.

Appendix D: *Testimonial Chronology*, 3 volumes, 1988.

All publications of the Select Committees are available from the U.S.
Government Printing Office.

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UNITED STATES SENATE

SELECT COMMITTEE ON

SECRET MILITARY ASSISTANCE TO
IRAN AND THE NICARAGUAN OPPOSITION

DEPOSITION OF ROY FURMARK

Washington, D. C.

Wednesday, July 22, 1987

Deposition of ROY FURMARK, called for examination at the offices of the Senate Select Committee, Suite 901, the Hart Senate Office Building, at 10:00 a.m. before KATHIE S. WELLER, a Notary Public within and for the District of Columbia, when were present on behalf of the respective parties:

CHARLES KERR, ESQ.
Associate Counsel
RICHARD PARRY, ESQ.
Associate Counsel
United States Senate
Select Committee on
Secret Military Assistance
to Iran and the Nicaraguan
Opposition.

ROBERT W. GENZMAN, ESQ.
Associate Minority Counsel
United States House of
Representatives Select
Committee to Investigate
under provisions of E.O. 12958 Covert Arms Transactions
with Iran.

DIANE DORNAN, Professional Staff
U.S. House of Representatives
Permanent Select Committee on Intelligence.

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C O N T E N T SWITNESSEXAMINATION

Roy Furmark
by Mr. Kerr

3

E X H I B I T SNUMBERIDENTIFIED

Exhibit 1

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Exhibit 2

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Exhibit 3

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Exhibit 4

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Exhibit 5

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Exhibit 6

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1 PROCEEDINGS

2 Whereupon,

3 ROY FURMARK

4 was called as a witness and, having first been duly sworn,
5 was examined and testified as follows:

6 EXAMINATION

7 BY MR. KERR:

8 Q State your name for the record, please.

9 A Roy M. Furmark.

10 Q Where do you live?

11 A 200 Hicks Street Brooklyn, New York 11201.

12 Q I will start with some background information.

13 Could you describe your educational background?

14 A Graduate of the New York City public schools.

15 Graduated Pace University in June of '57.

16 Q And what degree did you take at Pace?

17 A A bachelor of business administration with an
18 accountancy practice.

19 Q Do you have any higher education past the
20 bachelor's degree?

21 A No, other than I passed the New York state
22 certified public accountant's certification and am a CPA in

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by D. Sirko, National Security Council

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1 the state of New York.

2 Q Are you certified in any other state?

3 A No.

4 Q When did you become a CPA in New York?

5 A I think 1964. I'm not sure. Around that, around
6 '64.

7 Q And you still are a CPA in good standing?

8 A Yes, I am.

9 Q By whom are you employed at the present time?

10 A I'm basically in my own business.

11 Q You tend to operate in a corporate mode, as I
12 recollect.

13 A Yes.

14 Q What's the name of your corporation?

15 A The Furmark Corporation, 274 Madison Avenue.

16 Q And what positions do you hold with the Furmark
17 Corporation?

18 A I'm president.

19 Q And the sole stockholder; is that correct?

20 A No. Furmark Corporation is a wholly owned
21 subsidiary of Perikari, P-e-r-i-k-a-r-i, Corporation.

22 Q And who are the stockholders of Perikari?

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1 A I own 80 percent of it and Mr. Adnan Khashoggi
2 owns 20 percent of it.

3 Q The holding company, is it simply a holding
4 company or is it a business as well?

5 A It is basically a holding company.

6 Q The business of Furmark Corporation is what?

7 A Well, it is basically involved in the energy
8 field. Over the years we've had consulting agreements with
9 -- to run a bankrupt refinery in Texas for two years doing
10 refining. I worked with Roger Tamraz for three years trying
11 to buy Commonwealth Oil & Refining in Puerto Rico, which was
12 in bankruptcy and which was a public company.

13 The Furmark Corporation had a contract to act as a
14 developer for two other companies, Alternative Power
15 Corporation and Pittsburgh Alternative Power, which are
16 companies trying to develop cogeneration power plants using
17 waste coal, just trying to get involved in financing, working
18 now on a financing of a hotel in St. Kitts. Try to do crude
19 oil deals.

20 Q How many employees does the corporation have at
21 present?

22 A Don't have any at the moment. There are two

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1 individuals in that office with me and we work together.

2 Q But they are not employees?

3 A No.

4 Q Let's take a break for a moment.

5 (Discussion off the record.)

6 BY MR. KERR:

7 Q You have a number of other business affiliations.

8 I would like to go through the list of active corporate
9 entities in which you are involved. Can you give me a
10 description of those?

11 A Sure. APC, Alternative Power Corporation, which
12 is a company which I control; the other shareholders are --
13 Mr. Khashoggi has a few percent. Saarberg-Interplan, a
14 German coal company; third largest coal company in Germany,
15 which is owned by the German government, is a major
16 shareholder with me and we're trying to develop power plants
17 utilizing their new technology. Another company is Broad
18 Street Resources, which is in the oil field service company.
19 It has a wholly-owned subsidiary called Genergy, which had 1
20 workover rigs and now has five, and Genergy is in Chapter 11

21 Q In Broad Street, who are the shareholders in Broad
22 Street?

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1 A I own about 10 percent or maybe up to 30 percent
2 and the balance is owned by, I think, Triad Holding or one of
3 Mr. Khashoggi's companies.

4 Q And Genergy was a wholly-owned sub of Broad
5 Street?

6 A It is.

7 Q And it is Genergy that's in Chapter 11, not Broad
8 Street?

9 A Correct.

10 Q Are there any other subs of Broad Street at
11 present?

12 A No.

13 Q Any other corporate affiliations that you have at
14 the present time?

15 A Well, we have a company called Loki Petroleum,
16 which is an inactive company, however we just transferred the
17 rigs, the five rigs to Loki Petroleum.

18 Q Loki Petroleum is owned by whom?

19 A It is owned by me.

20 Q Wholly owned by you?

21 A Yes.

22 Q Any other active corporate enterprises?

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1 A I'm just trying to think. No, that's it.

2 Q How about partnerships, joint ventures?

3 A No. I have just formed a partnership called
4 Furmark and Partners.

5 Q What kind of partnership is that?

6 A It is a Delaware partnership. The purpose of
7 it --

8 Q Limited partnership or --

9 A It is a limited partnership. The purpose of that
10 is to use that for a potential acquisition of a company, and
11 we're still working on it.

12 Q Who are your partners in that enterprise?

13 A Well, I'm the general partner and the limited
14 partner is William Seizer, who works in my office, and until
15 we get the transaction completed, he is the limited partner
16 and he will then resign and other limited partners will put
17 their money in.

18 Q I'm with you. Okay. You are in as a general
19 partner in your own right or do you use one of your corporate
20 entities?

21 A In my own right. I expect also to be a limited
22 partner.

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1 Q Any other limited partnerships?

2 A No. Well, way back when there was a partnership
3 Beta involved with a four- or five-well drilling frame in
4 Oklahoma.

5 Q What is the status of that partnership?

6 A It is a total loss.

7 Q That's what happened to my oil partnership.

8 A There's another partner called -- partnership
9 called maybe Alpha, which is a disaster too, in Oklahoma.

10 Q Oil, natural gas?

11 A Oil.

12 Q Does that exhaust the current corporate
13 partnership affiliations?

14 A Yes.

15 Q I want to review with you some of your
16 relationships with people who are of some interest to our
17 investigation. Let me start with John Shaheen. You were
18 employed by the late Mr. Shaheen?

19 A I was employed by Mr. Shaheen through his
20 companies. Shaheen Natural Resources was his umbrella
21 holding company and also by MacMillan Ring-free Oil, which is
22 a company he controlled, and also Founders Corporation which

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1 he controlled.

2 Q Can you give me the time period when you were
3 employed by one or more Shaheen entities?

4 A I went to work for him in 1966 and I left him in
5 1976.

6 Q And if you can, give me a synopsis of the types of
7 things that you did for him during that 10-year period that
8 would be helpful.

9 A With Shaheen Natural Resources I was the chief
10 financial officer, and one of the wholly-owned subsidiaries
11 was called Newfoundland Refining Company. We built a
12 refinery in Newfoundland, raised \$150 million which was my
13 job. It was built in the name of Provincial Refining, which
14 was a crown corporation of the province of Newfoundland and
15 in 1976 that corporation went bankrupt. My job included
16 being head of the marketing committee overseeing the sale of
17 the products. I was involved with all the financing and
18 negotiations for ship charters as well as for crude oil
19 contracts.

20 Q In terms of John Shaheen's business endeavors, can
21 you give me a summary of the types of things that he was
22 engaged in during that 10-year period?

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1 A Well, Founders Corporation is a small public
2 company with very few shareholders. It was not enough to
3 file the normal filings that you would have. It owned two or
4 three radio stations. It owned a station in Syracuse, a
5 station in Honolulu and it owned half of a station in New
6 Orleans, and it owned an interest in a television station in
7 Syracuse. I was president of that company for a number of
8 years and it also owned a block of shares of MacMillan
9 Ring-free oil company.

10 He then tried to develop in Newfoundland a
11 newsprint mill for about 10 years. I tried to develop it
12 with him for about five or six years, trying to get newspaper
13 publishers as customers as well as shareholders. He
14 attempted to build an oil refinery in Nova Scotia. He
15 attempted to build a second oil refinery in Newfoundland. He
16 was working in Ireland on building an oil refinery in Bantry
17 Bay in Ireland. He worked on three or four years to publish
18 a New York City newspaper, and he just never got it
19 finished. He spent about \$16 million on it and never got it
20 done, never printed its first copy.

21 He was involved years ago, before my time, in
22 Panama in the building of an oil refinery which was taken

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1 over by Ultramar, which is an English company. He became the
2 largest individual shareholder of Ultramar and sold out those
3 shares before my time or early in my relationship with him.

4 Q Let's shift gears a little bit. In terms of
5 Mr. Shaheen's relationship with William Casey, there was a
6 relationship?

7 A Yes.

8 Q Can you describe what that relationship was?

9 A They were extremely close personal friends. They
10 were both very much involved in Republican politics. They
11 were very much involved in the William J. Donovan Foundation
12 or the OSS, the Office of Strategic Services, which is an
13 all members who were in that service, and they would meet and
14 have dinners and present awards out. They presented awards
15 to Thatcher, Willy Mountbatton, the three astronauts that
16 landed on the moon. They presented awards to President
17 Reagan, and so that was a focal point for them to get
18 together, I think, and in addition, they were involved with,
19 you know, doing legal work. He was in his own firm and then
20 he became a counsel to Rogers & Wells, and Jack Wells and
21 John, I think, were great pals as well as Casey, you know,
22 was involved in it, in New York City.

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1 Q Was Casey counsel to Shaheen during the time you
2 were employed by Shaheen?

3 A He did special things like when the company got
4 into financial trouble, Newfoundland Refining Company, Casey
5 and Shaheen and I went to Kuwait for about a week or 10 days
6 trying to interest KNPC, Kuwait National Petroleum Company,
7 owned by the government, to become a partner in Newfoundland
8 Refinery, to invest funds to revamp the refinery so that we
9 could use 100 percent Kuwaiti crude. It is very high .
10 sulphur, and you need lots of conversion equipment in the
11 refinery, and we didn't have enough conversion equipment to
12 use all Kuwaiti crude.

13 He was an advisor when Shaheen had problems, and
14 you know, but that was my longest involvement with Casey on
15 that trip.

16 Q Place that time for me, will you please?

17 A 1975 or 1976, let's say.

18 Q So this would be just before the time that you
19 left?

20 A Yes.

21 Q Coming back, Shaheen had been in OSS at the same
22 time Casey was in OSS and that's how they got to know one

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1 another?

2 A Yes.

3 Q Casey thereafter acted as legal counsel for
4 special projects for Shaheen; is that correct?

5 A Basically, yes.

6 Q Did Casey and Shaheen have business relationships
7 together to your knowledge?

8 A To my knowledge, I have never heard of any
9 business relationship.

10 Q So you don't know of any partnerships, joint
11 ventures, joint projects?

12 A No. I don't believe so. Shaheen just never did
13 things like that.

14 Q Shaheen, I believe, from a conversation you and I
15 had sometime ago, you characterized him as being a man who
16 didn't work well with partners?

17 A He wanted to do everything himself, you know, and
18 like, we got shares in the Newfoundland Refining Company, but
19 we had to sign an agreement that he could buy it back at any
20 time, so he wanted to be the -- he didn't want any, like you
21 say, he didn't want somebody to die and have the wife get a
22 lawyer and start poking around in his company. He didn't

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1 mind the employees making lots of money, you know, as long as
2 he could control it.

3 Q With regard to the relationship between Shaheen
4 and Casey after you left, you were aware that they continued
5 to maintain a friendship?

6 A Oh, yes.

7 Q You were aware of that because of, among other
8 things, you saw them at the OSS dinners each year; correct?

9 A Sure.

10 Q The reason you were going to the dinners was not
11 because you were a member of the OSS --

12 A No, I was invited to fill out the table, and it
13 was an a honor, really. I met lots of people because if it
14 was in New York, Shaheen would have a party back at his
15 apartment. I met the astronauts, lots of important people at
16 the apartment, so it was --

17 Q You were aware, though, that the relationship
18 between Casey and Shaheen continued, that they continued to
19 be friends?

20 A Yes.

21 Q Let's move on now to your relationship with
22 Casey. You got to know Casey best, I guess, on the trip to

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1 Kuwait; is that correct?

2 A Well, I knew him all these years through Shaheen
3 you know, and you got to know more and more, and of course
4 was Shaheen's heir apparent, okay, and so I would see Casey
5 lot and lots of times I wouldn't see him, you know.

6 Q Let me move you into the period 1984, 1985. To
7 what extent were you in contact with Casey in '84-85?

8 A I saw Casey at Shaheen's funeral, which was in
9 November of '85, and I may have saw him at a dinner in '84
10 at Shaheen's Christmas party in '84.

11 Q But you didn't have occasion to meet socially with
12 Casey, talk to him on the phone --

13 A No, I didn't call him until I made that call.

14 Q In October of '86?

15 A Yes.

16 Q All right. Let's move on to a couple of other
17 people. Let's take you to Adnan Khashoggi. You mentioned
18 Mr. Khashoggi as being a business associate of yours with
19 respect to some of the companies you have gone through.
20 Let's backtrack and start out with how you came to know
21 Mr. Khashoggi.

22 A I met him I think in 1966, when I was working for

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1 John Shaheen. We met in the summer, I think, of '66, or
2 could have been '67, and we met almost every day in the
3 Waldorf Astoria. Shaheen was attempting to do creative
4 things involving Saudi Arabia, involving oil, and he and
5 Khashoggi were ahead of their times. Their first idea they
6 had was normally that Saudi Arabia was paid a royalty for
7 their oil which is 12-1/2 percent. In their royalty
8 contract, they had a right to take it in kind but normally,
9 the Iranian would send them a check.

10 So they came up with the idea that the Saudi
11 government should elect to take the oil in kind and sell it
12 to Shaheen, and when word got out that was contemplated, the
13 Aramco partnerships were all excited at the thought of
14 Shaheen would have control of this oil, and then we were
15 going to buy -- Shaheen and Khashoggi proposed to buy an
16 interest in the oil which the Saudi government had, again
17 ahead of its time, that somebody would think of buying the
18 oil when in reality Aramco partners owned the oil and they
19 just got a royalty. So Shaheen and Khashoggi were always a
20 little ahead of their time.

21 Then I developed a relationship with Khashoggi and
22 I would see him and he would use me as a sounding board from

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1 time to time. What would I do, you know; his business people
2 said he should do this or that and he would ask me what I
3 thought about it. I would see him in London or New York and
4 have dinner with him and he would use me as a sounding board
5 for various ideas which his staff was contemplating such as
6 they wanted him to go public. I told him it was a crazy idea
7 because all his income was offshore, so why bring offshore
8 income onto the U.S. jurisdiction and pay taxes on it?

9 Q When did you and Khashoggi start actually doing
10 business together?

11 A I left Shaheen in early '77 and at that time,
12 Mr. Khashoggi purchased 20 percent of my company, Perkari,
13 and retained me as a consultant to one of his companies.

14 Q You were a consultant to which of his enterprises?

15 A I think it was Triad Holding.

16 Q Triad?

17 A Yes. I forget. I advised him on basically oil.

18 Q And your relationship with Khashoggi has continued
19 up through the present time?

20 A Yes.

21 Q Let me ask you about Cyrus Hashemi. You knew the
22 late Mr. Hashemi; is that correct?

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1 A Yes.

2 Q When did you first meet Mr. Hashemi?

3 A I met him in 1983; I'm not sure of the exact
4 date. Roger Tamraz asked me to go with him down to the
5 Bahamas to have a meeting with the prime minister and the
6 cabinet. There's a big oil refinery located in the Bahamas
7 called BORCO, which was owned by New England Petroleum, Ed
8 Carey's company, and it was in financial trouble with Libya
9 and Iran, and Tamraz invited Hashemi to come down as a
10 representative of the Iranian government.

11 BORCO owed Iran like \$300 million or something
12 like that and the idea was Tamraz tried to get the Bahamian
13 government to work with him to acquire the company, and maybe
14 within a week or two after our meeting, charter acquired the
15 company from New England Petroleum.

16 Q So your first occasion to meet Hashemi would be on
17 the Bahamas trip?

18 A Correct.

19 Q Thereafter, you had contact with Hashemi?

20 A Yes. I had a number of oil transactions I tried
21 to get him to work with me on, as well as other financings.

22 Q In what capacity were you dealing with Hashemi;

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1 was it as banker, Hashemi as coventurer?

2 A He was as banker.

3 Q Okay. What bank?

4 A He had a bank called Gulf Trust, I think, First
5 Gulf Trust or something like that, which was located in New
6 York at, I think, 9 West 57th Street then, and so I went
7 there to see him on a number of transactions that I was
8 trying to do because he indicated he had access to lots of
9 money.

10 Q So you went to him as a potential lender for those
11 ventures?

12 A Yes.

13 Q And you would have gone on a number of occasions
14 from '83 forward?

15 A Yes.

16 Q Was there ever an occasion up through the end of
17 1984 when you actually entered into a business relationship
18 with Hashemi or any of his entities?

19 A In '84, that's when my activity with him got a
20 little more frequent. In November -- let's say October, I
21 went to him --

22 Q October of '84?

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1 A Yes. He was in London. We were trying to acquire
2 a controlling share of a company called Gulf Resources which
3 was on the New York Stock Exchange, and it was owned by
4 Clore, and we went to him with a proposal that he would
5 participate in the financing with us. We got to the stage of
6 drafting agreements and et cetera with him, and the
7 transaction never went forward. While there, he then had a
8 potential Iraqi crude oil deal and he asked me to work with
9 him on it, which never went forward.

10 It was at that time in December I approached him
11 about the possibility of his ability to assist Caterpillar
12 Corporation, who was on the blacklist in Iran, who prior to
13 the revolution had an enormous agency in Iran, and this was
14 in December of '84. And he indicated that he could assist in
15 having Caterpillar's blacklist removed and Caterpillar
16 becoming, you know, back in Iran, whereas now it was working
17 through maybe the Spanish agency selling spare parts from
18 time to time, but no new equipment.

19 And the Japanese company Komatsu, I think, was
20 selling lots and lots and lots of equipment, so this was in
21 December of '84. And then in January, first few days of
22 January, I set up a meeting in London with Paul Kollao,

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1 K-o-l-l-a-o, who was from Geneva in charge of sales in the
2 Middle East -- I'm not sure of his exact title -- and we had
3 a meeting.

4 Q You had a meeting with yourself, Kollao, Hashemi;
5 anybody else?

6 A No, I think that was it.

7 Q And the purpose of the meeting was to discuss
8 reopening Iran to Caterpillar?

9 A Correct.

10 Q What came of that meeting?

11 A It went on and on and on, and eventually
12 Caterpillar came back and said that they wanted to have a
13 large partner with Hashemi. They didn't think he was strong
14 enough or big enough but they thought maybe he might be able
15 to do something in Iran, and that is how world trade got put
16 together with Khashoggi.

17 Q And world trade becomes a prospect at what point
18 in time?

19 A Well, let me just maybe go on to the next -- to
20 fill you in.

21 I then went to Hamburg, like -- I can give you the
22 exact dates. I have them, on a crude oil contract, on the

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1 5th of January, and that contract -- those discussions led to
2 the signing of a letter of intent, which I gave you a copy
3 of.

4 Q Let me stop you for a second. At the Hamburg
5 meeting, that was a meeting with the Iranians?

6 A Correct. That was signed in April, but that
7 meeting was --

8 Q Let's back up, though. At the meeting in Hamburg,
9 one of the Iranians present was Manucher Ghorbanifar? .

10 A Correct.

11 Q This was the first occasion you had to meet
12 Mr. Ghorbanifar?

13 A Yes, sir.

14 Q Did you know of Ghorbanifar before this meeting?

15 A Never heard of him.

16 Q Apart from the Iranians, who else was at that
17 meeting?

18 A There was an oil consultant from Hamburg named
19 Shubert, I think.

20 Q Anyone else?

21 A That was the only Iranians.

22 Q You were at this meeting in your own right; were

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1 you also there on behalf of Khashoggi?

2 A No, I was there on behalf -- in my own right and
3 on behalf of Tampimex and Hashemi.

4 Q You were there for Hashemi?

5 A And a company called Tampimex.

6 Q What business are they in?

7 A An oil trading company owned by Fritz Ingram. I
8 go back to the Iraqi crude oil transaction. I brought in
9 Tampimex as a potential buyer of the Iraqi crude if there was
10 a contract, and there ended up being no contract but that was
11 the initial introduction of Tampimex and Ingram to Hashemi.

12 Q Moving on, had Hashemi set up a meeting with the
13 Iranians?

14 A Yes.

15 Q Did Hashemi know Ghorbanifar to your knowledge?

16 A No.

17 Q He did not?

18 A No.

19 Q You have a meeting on or about January 5, and is
20 that, at that point, that the counter at any rate proposal is
21 broached?

22 A No. We are negotiating a crude oil contract,

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1 100,000 barrel a year contract, per year, and I then had
2 lunch. Included in that meeting was a Dr. Espabardi who
3 headed up the Iranian buying office in Hamburg, so seeing him
4 for lunch, meeting with him for dinner, I was interested in
5 what he was doing. And so then I said, why don't you give
6 barter contracts, because he had barter contracts with other
7 companies.

8 Q When you use the term "barter contracts," is that
9 where oil would be traded for goods?

10 A Yes, let's say with Kerr Steel Company, specific
11 contract, and I suggested why don't you give us a contract,
12 trade contract, where we will sell your oil, put the money in
13 escrow and then buy your goods and pay for the goods out of
14 the escrow amount. So that was the beginning of that
15 concept, and then it evolved into my going back in April to
16 negotiate. It was initially 500 million, but in Hamburg, in
17 April, we got it up to a billion dollar contract.

18 Q With regard to Hashemi, let's stop there for a
19 moment. Do you recall when the indictment of Mr. Hashemi
20 came down? Was it in early 1985?

21 A The first one?

22 Q Yes.

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1 A I'm not sure when.

2 Q Is it your recollection that you were dealing with
3 Hashemi outside of the United States in 1985?

4 A Yes, because I was going to London.

5 Q The reason he was in London was because there was
6 a warrant outstanding for his arrest in the United States;
7 correct?

8 A I think it happened later. I'm not sure when it
9 happened.

10 Q Okay.

11 A I'm not sure of the date because I remember he was
12 traveling, from what I read in the paper.

13 Q Were you ever present at meetings where both
14 Ghorbanifar and Hashemi were present together?

15 A No. I shouldn't say -- in June of '85, in
16 Hamburg.

17 Q They were together at that time?

18 A Yes.

19 Q All right, let's pursue the chronology, then, in
20 terms of the world trade development. You have meetings in
21 January?

22 A On Caterpillar.

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1 Q Yes. Take me chronologically. What happens
2 next? Where next do you go?

3 A The Caterpillar thing was on and off, on and off
4 while Caterpillar U.S. did lots of checking on Hashemi, and
5 they came up with a lot of black marks about him, gambling
6 problems and other things, but they thought maybe he had
7 contact in the country. But they suggested that I needed a
8 big partner, and that is when I recommended Khashoggi.

9 Q Place that in time, when that recommendation
10 occurred, is that February?

11 A No, no. You know, probably in March, and I then
12 arranged a meeting for Hashemi and Khashoggi, but that
13 meeting was set up on a different matter, okay? Khashoggi
14 was in Brazil and was negotiating a deal with Petrobras
15 involving his Sudan oil concessions. He owned half of a
16 company called, I guess, National Company of Sudan or
17 whatever the name of it was, and he was going to have
18 Petrobras, which is the national company of Brazil, join him
19 in the effort in developing the oil in Sudan.

20 So I'm in New York in my office, and I get a call
21 from Hashemi, and he tells me that Khashoggi's proposal in
22 Brazil has fallen apart is going to be turned down, so I

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1 called Mr. Khashoggi in Brazil and I tell him that this guy
2 Hashemi that I'm working with who is on Iranian things and o
3 the Caterpillar transaction -- let me go back.

4 One of Khashoggi's guys asked if I could help
5 Caterpillar, so I talked to Adnan, Cyrus, and Cyrus tells me
6 these things about Brazil and I tell Khashoggi all these
7 things, and Khashoggi is amazed how much information this gu
8 has about Brazil and Petrobras. So I think it was in March,
9 a meeting was set up between -- because he said he knew how
10 to solve Khashoggi's problems in Brazil and how to present i
11 in a different fashion so it could get approved. So a
12 meeting was set up and that's how they met, okay? In that
13 meeting, Caterpillar transaction came up and also the
14 potential contract for the \$500 million counter trade
15 contract came up. It was at that meeting where the world
16 trade concept came up, that and an agreement was worked up.

17 Q Where was the meeting and when was it?

18 A It was in London in March, I guess, because I see
19 I was at Claridge's in London for about a week, like March 5
20 through 12th, so I think it was in that period of time.

21 Q And the people --

22 A What's the date of this; this shareholders'

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1 agreement? This is March 29, okay? So --

2 Q People attending that meeting were yourself,
3 Khashoggi, Hashemi?

4 A Lots of those people.

5 Q Ghorbanifar was not at this one?

6 A No.

7 Q Okay. And the upshot of that meeting is what;
8 what was concluded?

9 A That a company would be formed which would have
10 two purposes, two subsidiary companies. One was to deal with
11 the Caterpillar transaction and the other to deal with the
12 countertrade transaction.

13 Q All right, and the participants in the company
14 were to be whom at the outset?

15 A Khashoggi, Hashemi, each with 45 percent, and I
16 had 10 percent.

17 Q All right. That results in a shareholders'
18 agreement?

19 A Correct.

20 Q Of March 29?

21 A Correct.

22 Q Let's take a look at that. We have a copy of it

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1 which will be marked as Exhibit 1. Is that the shareholders
2 agreement that was one of the formative documents on the
3 venture?

4 A Yes.

5 MR. KERR: Let's mark it.

6 (Exhibit 1 identified.)

7 BY MR. KERR:

8 Q As of the time of this document, March 29, 1985,
9 had you introduced Khashoggi to Ghorbanifar?

10 A No.

11 Q Had you talked to Khashoggi about Ghorbanifar?

12 A No.

13 Q To what extent had you had contact with
14 Ghorbanifar between the first time you met him in early
15 January 1985 and the end of March? Had you had further
16 contacts with Ghorbanifar?

17 A I don't think so.

18 Q You got the shareholders' agreement of March 29.
19 What happens next?

20 A We then -- I was proceeding to try to get
21 Caterpillar to agree to giving us an agency agreement.

22 MS. DORNAN: Could you tell me what the original

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1 problem with Iran and Caterpillar was?

2 THE WITNESS: Well, my understanding is that when
3 they had the revolution, Caterpillar was loyal to whoever
4 they were working with in Iran, and didn't change, you know,
5 shift over to a new agent or new group or something, and they
6 got put on a blacklist.

7 MS. DORNAN: Caterpillar was in any case having
8 trouble competing with Komatsu worldwide?

9 THE WITNESS: Up to that time I didn't know much
10 about Caterpillar other than it was -- you know, you see the
11 big tractors.

12 BY MR. KERR:

13 Q Let's move forward from March 29. What was the
14 next event?

15 A I then -- we were working with Caterpillar,
16 numerous meetings trying to get them to give us the agency.
17 Caterpillar U.S.A. then decided that they wanted to bring us
18 a partner, which was Finnings, which is a Canadian company
19 with a big English operation, which handles like Poland and
20 some of these other countries for repairs as well as new
21 equipment as well as supplies.

22 So we were negotiating with Finnings to be our

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1 partner for Iran because they had a big operation in U.K. and
2 they had expertise, in addition to Poland, I think another
3 couple of countries where they handled the whole thing. And
4 we left world trade in, I think, July, and so I don't know
5 what happened. I know they never concluded anything.

6 Q Let me keep you in April. There is a letter of
7 intent that gets executed April 23 in Hamburg, Germany,
8 apparently. Let's mark that as Exhibit Number 2.

9 (Exhibit 2 identified.)

10 BY MR. KERR:

11 Q First, if you can identify that document.

12 A Yes, this is the letter of intent that I
13 negotiated.

14 Q Tell me what this document is intended to do and
15 how you got to that point from where you were on March 29.

16 A Well, I went to Hamburg on the 21st of April. I
17 was there for the 22nd and 23rd negotiating with a team of
18 people from Iran at the offices of Iranian Commercial
19 Industrial Services, ICI, concerning this agreement. And
20 what this does is, okay, we would sign, "we" being World
21 Trade Group, would sign a crude oil contract with NIOC for a
22 billion dollars. We would then pay, let's assume we could d

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1 it in one shot, we sell a billion dollars today, we put 500
2 million into an escrow account which we would use to pay for
3 goods and services which we would buy for Iran, and we would
4 pay 500 million to IROC in cash.

5 So this was a letter of intent. We would have to
6 then negotiate a crude oil contract with NIOC. We would have
7 to negotiate a credit agreement with the central bank of
8 Iran, and we would have to negotiate a goods purchase
9 agreement with the ministry of industry, so this was the
10 first step toward the negotiation of three contracts.

11 Q Now, the Iranians you were dealing with for the
12 letter of intent, did they include Ghorbanifar?

13 A He was not involved in the negotiations.

14 Q Were you dealing with Ghorbanifar in this period
15 of time, April of 1985?

16 A I met him but I wasn't -- he was not involved in
17 any of the negotiations whatsoever.

18 Q What were the circumstances under which you met
19 him; was it social?

20 A He was in Hamburg.

21 Q He was in Hamburg?

22 A I believe so.

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1 Q You met with him socially?

2 A Yes. With -- I think with his family, if I'm not
3 mistaken. I think he was there.

4 Q Do you recall discussing with him at that time any
5 activities he was involved in?

6 A None whatsoever.

7 Q Was there any discussion at that time of his
8 interest in seeing relationships between the U.S. and Iran
9 improve, talking about arms for hostages, any of those items
10 that came up?

11 A Let's go back to January of '85 when we had --
12 when I was there on the oil contract. We had, I don't know,
13 three, four, five lunches or dinners, and they were talking
14 about, you know, the difficult problems in Iran and the
15 various scenarios as to what could happen in the country.
16 They could have another Lebanon, the Russians, total
17 isolation, or there could be, you know, pro-Western people
18 that take over. It was at dinner or at lunch in an Iranian
19 restaurant, and those kind of conversations, discussion.
20 Shubert, the German guy, was discussing lots of hard
21 questions, and they were, you know, very open.

22 Q And what, if any, direction did you sense

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1 Ghorbanifar to be taking?

2 A Well, I sensed that lots of people in Iran were
3 unhappy with the situation, but they couldn't do anything
4 about it. I mean, I think one of the Iranians said the only
5 way they can protest is to slow down on the job. The only
6 way they can do it.

7 Q By April, you are meeting with Ghorbanifar again.
8 At that point, does he talk any more about these kind of
9 things?

10 A No.

11 Q With regard to the relationship developing from
12 April forward, take me past the letter of intent. What
13 happens next?

14 A Well, we then began to try to get from Hamburg,
15 you know, various potential orders; like one order they gave
16 us was for paper boxes or something like that. Another order
17 they gave us was for steel billets, and we could -- we went
18 out in the marketplace. We found that three other Iranian
19 ministries had already also sent word out they wanted to buy
20 it, so we were just, instead of thinking, we had some kind of
21 exclusive relationship with Hamburg. We found out that, you
22 know, 35 other people were trying to buy the same thing we

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1 were trying to buy.

2 So the supplies of stuff -- thought there was a
3 big demand and the price went up. This is the way they have
4 always operated, I'm told. Nobody has any exclusive because
5 each department, each industry, each ministry, each
6 everything, they do what they want to do, and if they want to
7 buy something rather than use Hamburg, which is supposed to
8 be one of the buying offices or their only buying office, but
9 it is not that way. So every time we went out for something,
10 you know, we were -- with the fifth inquiry or the 10th
11 inquiry that the company had gotten. We talked about Bowater
12 Paper Company and they had a number of inquiries on the same
13 purchase item. We then continued to worked with Finnings and
14 Caterpillar trying to get that thing done.

15 Q When did you introduce Khashoggi to Ghorbanifar?

16 A We then went to Hamburg to have a meeting with
17 Espabardi, the head of the office, to try to accelerate how
18 we would get this done, the letter of intent done, and in
19 Hamburg, I was there, Khashoggi came, Ghorbanifar was there,
20 Hashemi was there.

21 Q And when did this meeting take place?

22 A I have -- like the 12th of June.

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- 1 Q And what do you recall happening at this meeting?
- 2 A Well, lots of things. Number one, when I was with
- 3 Espabardi who is head of the office, he told me that
- 4 Mannesmann, the big German company which had a barter
- 5 contract with Iran was in trouble. So they asked me to go
- 6 and I went to Dusseldorf to meet at Mannesmann. Khashoggi
- 7 met Espabardi, Ghorbanifar; Hashemi was there, and the idea
- 8 was how do we accelerate this and expand this. It was a
- 9 billion dollar contract, and it seems like a lot of money,
- 10 but we're talking about getting it enlarged and how do we get
- 11 it done; how do we get to negotiations in Hamburg rather than
- 12 in Tehran, and then Ghorbanifar and Khashoggi hit it off.
- 13 Q Was it your impression this was the first time
- 14 that Khashoggi and Ghorbanifar had met?
- 15 A That was my impression.
- 16 Q Has it come to your attention since that time that
- 17 they had met or had done business before then?
- 18 A No.
- 19 Q So you have no reason to believe that they had
- 20 known each other prior to the introduction in June of 1985?
- 21 A Right.
- 22 Q All right, they met, they hit it off. Hashemi was

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1 also involved in these meetings?

2 A He was there, yes, because it was world trade.

3 Q And Hashemi and Ghorbanifar also appeared to get
4 on with one another or did not?

5 A No, it was very formal and --

6 Q All right. Hashemi was under indictment at that
7 time. Do you recall any discussions that you would have been
8 privy to with regard to what he was going to try to do to get
9 that indictment taken care of?

10 A Not at that meeting, but at one meeting he asked
11 if I knew a good lawyer in London and I gave him the name of
12 a lawyer here in New York or Washington and the lawyer went
13 to see him, and he didn't retain him.

14 Q He did retain Elliot Richardson?

15 A Eventually, yes.

16 Q Mr. Richardson apparently begins to represent
17 Hashemi in late June, early July. In terms of placing your
18 conversation with Hashemi --

19 (Discussion off the record.)

20 BY MR. KERR:

21 Q Place for me, if you can, in relationship to this
22 meeting on June 12 in Hamburg, when you would have talked to

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1 Hashemi about his legal difficulties.

2 A He asked me in London. At some point in time he
3 asked if I knew a good lawyer, and then I forget the name of
4 the lawyer that I recommended. I called somebody who called
5 somebody who said this may be a good guy and then I spoke
6 with him and he spoke directly with Hashemi and then he went
7 to London and he wasn't retained.

8 Q Let me take you back into June then. In the June
9 period of time, or any period of time up to June, were you
10 involved in any discussions with Hashemi in an effort he
11 would make to suggest to U.S. officials that he could put
12 together an arms-for-hostages arrangement involving
13 Ghorbanifar if they would take care of his indictment?

14 A No.

15 Q Did you at any time have such a conversation with
16 Hashemi?

17 A No, but I overheard a conversation -- I think it
18 was maybe talking to Shaheen, John Shaheen, in his office in
19 London, where he was saying that he could get the hostages
20 released and he wanted to have an agreement that his
21 indictment would be withdrawn.

22 Q Let me focus on that. First, can you place that

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1 in time? When did that occur? Use whatever dates you have
2 there.
3 A It would have to be like June or July of '85.
4 Q Right. But you can't narrow it down more than
5 that?
6 A No.
7 Q You were present when this conversation took
8 place?
9 A I was in his office.
10 Q In whose office?
11 A Hashemi's office.
12 Q In London?
13 A In the world trade office.
14 Q And John Shaheen was also present?
15 A No, he was on the telephone. I assumed he was
16 talking to Shaheen. I don't know that he was, but I assumed
17 that.
18 Q Why did you assume that?
19 A Because -- go back to the Iraqi deal in '84. He
20 was trying to do the same deal with Shaheen on the Iraqi deal
21 and one of Shaheen's guys was in Geneva, ready to go to Iraq
22 and when I knew there was no Iraqi deal I was going to call

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1 Shaheen and say, listen, there's no Iraqi oil deal and he
2 would have said, maybe, Roy is trying to put me off the deal
3 so he can do the deal. So I never called Shaheen, and
4 through mutual friends I heard and knew that Shaheen and
5 Hashemi were involved in some financing deals and other
6 potential deals.

7 Q Let me come back. Let's set the context. Why was
8 it that you were in Hashemi's office?

9 A It was world trade. It was world trade. I
10 happened to be talking to him and the phone call came in.

11 Q And it was your perception the phone call was from
12 John Shaheen?

13 A Yes. It was -- either he had placed the call or
14 John Shaheen had called.

15 Q And in capsule form, tell me what you recall
16 overhearing in that conversation.

17 A That he, Hashemi, you know, could be instrumental
18 in the release of the hostages and he would want to have an
19 ironclad agreement that his indictment was, you know, thrown
20 out or whatever.

21 Q Was Ghorbanifar's name mentioned during the course
22 of that conversation?

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1 A Never.

2 Q Did there ever come a time when you were involved
3 in a discussion with Hashemi when he discussed using
4 Ghorbanifar as the vehicle to affect an arms-for-hostages
5 deal?

6 A Never. I never heard "arms for hostages."

7 Q With regard to Hashemi, is this the only occasion
8 when you heard such a conversation?

9 A Yes.

10 Q And it is the only knowledge you have about
11 Hashemi's involvement in an effort to get the hostages out;
12 is that correct?

13 A Correct. Let's go back to October '85. October
14 3, maybe. I had a drink with John Shaheen in New York, and
15 he had just come back from Japan. He had been there for I
16 guess four or five months, having treatment for liver cancer,
17 and he told me that he had been dealing with Hashemi on at
18 least getting the hostages released, but that on July 13,
19 1985, he was cut off.

20 Q Cut off by whom?

21 A By Casey, because Shaheen was talking to Casey.

22 Q Let's back up. What did he tell you about how he

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1 was dealing with Hashemi and with Casey. Tell me what
2 Shaheen told you in as much detail as you can recall.

3 A Only that he had been working with Hashemi and
4 Hashemi said he could get the hostages released. Casey -- he
5 was relaying it to Casey, of course, and Shaheen said that,
6 you know, we cut him off on July 13, 1985, because we felt
7 that he could not deliver anything, and in fact, Shaheen said
8 the only Iranian name he could --

9 (Discussion off the record.)

10 THE WITNESS: So Shaheen said the only Iranian
11 that he mentioned was a guy named Ghorbanifar, and
12 Ghorbanifar, you know, couldn't do the job or something, John
13 said, and that was the end of the conversation.

14 MR. KERR: Let's take a recess.

15 (Recess.)

16 BY MR. KERR:

17 Q With regard to what you knew about the Hashemi
18 effort to involve the Central Intelligence Agency and getting
19 back the hostages and getting his indictment quashed, I think
20 if I understand what you are telling me, you did not have any
21 contemporaneous knowledge that these initiatives were going
22 on apart from the telephone conversation?

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- 1 A Correct.
- 2 Q But you did get kind of a recap from Shaheen when
- 3 you had a drink with him in New York in October of 1985?
- 4 A Right. Then he died about three weeks later.
- 5 Q I understand.
- 6 Did he tell you any more about who at the agency
- 7 he had been dealing with?
- 8 A No.
- 9 Q You were left with the impression that Shaheen had
- 10 been in touch with Casey?
- 11 A Correct.
- 12 Q But ~~you~~^{he} didn't give you the identity of any other
- 13 CIA personnel he had dealt with?
- 14 A No, he just mentioned Casey.
- 15 Q In terms of Iranians, he had mentioned
- 16 Ghorbanifar's name?
- 17 A Correct.
- 18 Q Did he mention the name of any other Iranians?
- 19 A No, and I did not mention that I knew Ghorbanifar
- 20 when I saw Hashemi.
- 21 Q Okay.
- 22 MS. DORNAN: Did you receive the impression that

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1 Hashemi hoped to secure the hostages' release on this through
2 his contacts in Iran, or did he also have contacts in Lebanon
3 or elsewhere that he could use?

4 THE WITNESS: No. I can now speak today. Hashemi
5 led everybody to believe he knew everybody, and in the end he
6 really knew nobody, and I went through so many transactions
7 with him where it gets to the point and he wouldn't sign,
8 couldn't deliver, wouldn't do anything. That's why, you
9 know, we walked away from it and I stopped trying to do
10 anything with him.

11 MS. DORNAN: So either in the telephone
12 conversation you overheard or in your conversation with
13 Shaheen, you didn't get any details on how you planned to go
14 about it?

15 THE WITNESS: You know this indictment was an
16 obsession with him. He wanted to be -- he would give his
17 ascot party in June and invite the lords and ladies, and then
18 in one of the London papers there would be a story
19 occasionally about him and this indictment, and it was an
20 obsession to get rid of it.

21 MS. DORNAN: If he could get the U.S. government
22 to get the hostages back, he would do anything. It was an

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1 obsession to get rid of it. Occasionally the U.K. press
2 would attack him and who he was.

3 MS. DORNAN: In part because it was a social
4 stigma as well?

5 THE WITNESS: Sure. He was extremely wanting to
6 climb the social ladder in London and all over the place.

7 BY MR. KERR:

8 Q Let me touch base on a couple of other things.
9 There's a report that grew out of the indictment of Sam Evan
10 that you introduced Evans to Hashemi in January of 1985. Is
11 that correct?

12 A That's not true.

13 (Discussion off the record.)

14 BY MR. KERR:

15 Q Did you introduce Evans to Hashemi?

16 A Yes.

17 Q When did you do that?

18 A In October, maybe of '84, because I was using Sam
19 Evans as my lawyer on the Gulf Resources deal, and then he
20 became the lawyer when we were trying to do the Iraqi crude
21 oil deal in November, December.

22 Q So you would have introduced him to Hashemi, but

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1 it was earlier than January or February?

2 A I would say it is October. I look at the drafts
3 of the Gulf Resources transaction.

4 Q There is also an allegation that's been made in
5 that lawsuit that at some point in January of 1985, you
6 related a conversation perhaps to Evans that Casey had told
7 you that the United States had supplied and permitted others
8 to supply arms to Iran as of January 1985. Was there ever
9 such a conversation that you had?

10 A Never.

11 Q And I take it from what you have told me you
12 weren't having many conversations with Casey as of January
13 1985.

14 A I saw him maybe at a Christmas party. Maybe. I'm
15 not sure if he was even there or if I was there, but that
16 would have been Shaheen has a Christmas party, his company,
17 MacMillan would have a Christmas party at the Metropolitan
18 Club.

19 Q Let me phrase the question another way. As of
20 late '84, early 1985, had you had any conversations with
21 Casey about U.S. responses to folks who wanted to send arms
22 to Iran?

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1 A Never.

2 Q That had not been something you discussed with
3 him?

4 A Never. Never.

5 MS. DORNAN: When had been your last fairly
6 extensive contact with Casey other than something casual?

7 THE WITNESS: You know, in -- let's say prior to
8 '76.

9 BY MR. KERR:

10 Q As of June 1985, your meeting in Hamburg at that
11 time, had you become aware of Michael Ledeen? Had you come
12 to know that name?

13 A No.

14 Q When did Ledeen first become a name that was
15 familiar to you?

16 A I met him for the first time in January 1986.

17 Q January of '86?

18 A Yes.

19 Q Is it possible that you would have met Ledeen in
20 October of 1985 when Ghorbanifar was in Washington, D.C.?

21 A No. I met him at Scott's in Georgetown, the
22 restaurant, for dinner that night with his wife and

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1 Ghorbanifar and his lady friends and myself. First time. I
2 never heard of him before.

3 Q And that was the first time Ghorbanifar was to
4 take the lie detector test?

5 A He was here in Washington, yes.

6 Q Ghorbanifar reacted fairly violently to that lie
7 detector test?

8 A He told me he took one.

9 Q That was taken January 11 or thereabouts? .

10 A I was in Washington and I met on, I think a
11 Saturday night, that's where I met Ledeen for the first time.

12 Q Again, see if I can refresh your recollection,
13 Ledeen when interviewed had some recollection of having had
14 dinner with you on an earlier trip Ghorbanifar made to the
15 U.S. Ghorbanifar came into the United States on October 7
16 for a meeting that he had on the 7th and 8th with Ledeen and
17 others at the Old Executive Office Building. I have a note
18 from our interview that you may have had some recollection of
19 being present for a dinner with Ledeen and Ghorbanifar at
20 that time; but that's an error?

21 A I had dinner in New York with Ghorbanifar, and I
22 didn't meet Ledeen until January of '86 in Washington.

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1 Q You had dinner with Ghorbanifar in New York when?
2 October of 1985?

3 A I think it was October.

4 Q Let me give it one more shot. Ledeen was in Tel
5 Aviv in late July, early August of 1985, we will come to it
6 in the chronology in a moment; but you also were in Tel Aviv
7 meeting with Ghorbanifar during that period of time.

8 A That was June.

9 Q June?

10 A Yes.

11 Q Okay --

12 A Yes, June 20, we left on the 19th, I think, of
13 June from Frankfurt to Tel Aviv, and we were at the Hilton
14 Hotel and we left on the 22nd of June.

15 Q Okay, that rearranges the dates by a month or so.
16 So your recollection of the trip to Israel with Ghorbanifar
17 is that it would have been the third week of June?

18 A Right, 19th of June, I left Dusseldorf to go to
19 Frankfurt and then Frankfurt to Tel Aviv. That was the day
20 that the Frankfurt airport had a terrorist bomb blast, then
21 we were at the Hilton Hotel for three nights, look like. We
22 left on the 22nd, Tel Aviv to Paris.

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1 Q Let's back up then. The meeting in Hamburg was
2 when in June? June 12?

3 A Yes.

4 Q And you would have gone from the meeting in
5 Hamburg to Tel Aviv; is that the way it worked?

6 A Well, I went to Paris, and then I went to
7 Dusseldorf to meet for two days with Mannesmann, and then I
8 went from Dusseldorf to Frankfurt to go to Tel Aviv.

9 Q And you left Frankfurt for Tel Aviv when?

10 A On the 19th.

11 Q June 19? All right. And you made that trip with
12 Ghorbanifar; correct?

13 A Right.

14 Q And you made it with the consent of Adnan
15 Khashoggi?

16 A Yes.

17 Q Let me get it clear. Something has developed in
18 the relationship between Ghorbanifar, you and Khashoggi,
19 obviously, by June 19. Describe for me what's happening.
20 What's going on between you, Khashoggi and Ghorbanifar?

21 A Well, I am -- you know, I am working with Adnan
22 for many years. I'm working with Ghorbanifar, trying to get

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1 crude oil contracts, trying to get other business that we can
2 get out of the country. Here's a guy that says he can
3 deliver, and it is extremely hard to even, you know, spend
4 time with the guy because the guy comes and goes, disappears,
5 and so I think probably when I was in Paris on the 17th, he
6 says I'm going to Israel, why don't you come along; and I
7 called Khashoggi and he said go ahead.

8 Q As of that point, what if anything did you know
9 about Ghorbanifar's interest in developing relations between
10 Iran and the United States?

11 A It goes back to --

12 Q But tell me what your state of mind was, what you
13 knew as of mid-June, 1985.

14 A Khashoggi was trying to assist him.

15 Q Assist Ghorbanifar?

16 A Right.

17 Q In what sense?

18 A To develop a relation with the U.S. via Israel.

19 Q So the prospect of using Israel as a way of
20 improving Ghorbanifar's access to the United States had come
21 up by that point; is that correct?

22 A Right.

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1 Q Explain to me what Khashoggi was suggesting to
2 Ghorbanifar vis-a-vis Israel.

3 A Well, I think -- I know -- I don't know a lot of
4 details, but I think Khashoggi's view was that he did not
5 know how to check out Ghorbanifar and Ghorbanifar's bona
6 fides and his contacts in intelligence, but he thought the
7 Israelis would know how to do it best of all, and if they
8 could do it best of all and verify he was what he says he
9 was, that could be the first step toward opening better
10 relations.

11 And all the time you must remember Khashoggi had
12 just signed a billion dollar contract, trade contract, which
13 would be 10 billion or 20 billion, so in his mind is that if
14 we could get Iran close to the West and Ghorbanifar was the
15 person doing it, we could then go from a billion dollar
16 counter trade contract to a 10 or 20 billion dollar contract,
17 so that was ultimate in Khashoggi's mind; because he thought
18 once the war would be stopped, Iraq and Iran would probably
19 spend 20, 30, 40, 50 billion a year to rebuild for the next
20 10 years. The bloom was off the Middle East in making big
21 money on big contracts, because they had already built
22 everything they were going to build.

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1 Q Let's pursue it a step further. As of June 1985
2 what knowledge did you have of Ghorbanifar's past
3 relationship with the Central Intelligence Agency?

4 A Zero.

5 Q Ghorbanifar had not told you of his past dealings
6 with the CIA?

7 A Never.

8 Q What knowledge did you have or did you acquire in
9 June of 1985 of efforts that Khashoggi was making using [REDACTED]
10 [REDACTED] to learn more about Ghorbanifar?

11 A I didn't know anything about it.

12 Q Did not know anything about it?

13 A No.

14 Q You did know he was going to use Israeli
15 intelligence to check on Ghorbanifar?

16 A Right.

17 Q Who were Khashoggi's contacts in Israel at that
18 time to your knowledge?

19 A I guess he knew the prime minister.

20 Q Peres?

21 A Yes. I don't really know but --

22 Q What names was he running by you? Had he

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1 mentioned Nimrodi or Nir or Schwimmer?

2 A Yes, Schwimmer.

3 Q What did you know about Schwimmer?

4 A Didn't know anything about him.

5 Q Any other names being used at that time?

6 A I heard the name Nimrodi, but that was it. Nir I
7 never heard of until this whole thing was blown up.

8 MS. DORNAN: Were you certain in your mind that
9 Israel was raised by Khashoggi and not by Ghorbanifar, that
10 Ghorbanifar didn't suggest Israel as a way to check the bona
11 fides or an intermediary?

12 THE WITNESS: All I know is that Khashoggi was
13 instrumental. That's my understanding, but I don't know.

14 BY MR. KERR:

15 Q Well, by June 19 or thereabouts, you are getting
16 on an airplane to fly with Ghorbanifar to Israel; correct?

17 A Right.

18 Q What was your understanding as of that time of
19 Ghorbanifar's relationship with the Israelis?

20 A I didn't know of any relationship.

21 Q You knew that Ghorbanifar had traveled to Israel
22 before?

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1 A Did not.
2 Q Did not?
3 A No.
4 Q You get on an airplane, it is a El Al airplane
5 that you take?
6 A Yes.
7 Q Did you discuss with him on that airplane ride
8 what his relationship was with the Israelis?
9 A No.
10 Q Did not?
11 A No.
12 Q What did you discuss on the airplane ride?
13 A What?
14 Q What did you talk about with him?
15 A Lots of things.
16 Q Such as?
17 A Business, potential for getting, you know, oil
18 field supply contract, how do we get this done quicker.
19 Q This being the counter trade deal?
20 A Yes. How do we get crude oil contracts, you know,
21 in January of '84, I went to Singapore to try to sell the
22 Iranian offshore oil company a drilling frame from Singapore

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1 for \$40 million, so I was trying to see how he could get
2 things done for us in a commercial sense, because it is not
3 easy.

4 Q All right. The June trip to Israel, when you
5 arrived at the airport, who met you?

6 A Mr. Nimrodi.

7 Q What did you know about Nimrodi at that point?

8 A Nothing.

9 Q You had not been told anything by either
10 Ghorbanifar or Khashoggi about Nimrodi?

11 A No.

12 Q Did they introduce you to Nimrodi? Somebody must
13 have introduced you to Nimrodi? He stuck out his hand and
14 said hi? What happened?

15 A I had met Nimrodi I think once in London, in May
16 or June or something.

17 Q What had caused you to meet him in London?

18 A He was meeting Khashoggi.

19 Q He was meeting Khashoggi?

20 A Yes.

21 Q To discuss business?

22 A I don't know.

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1 Q You weren't present when they --

2 A No.

3 Q What was your understanding of what Nimrodi's role
4 in life was?

5 A I didn't know. I have learned, being around in
6 the Middle East, you don't ask lots of questions, because if
7 you do they will wonder why you are asking questions. You
8 may sit at a dinner table and learn lots of secrets, but you
9 never ask anybody in the Middle East any questions about this
10 or that unless you are working on a specific thing and you
11 say, I need this or I need that; but it is a cardinal rule
12 you don't ask any questions.

13 Q What did you understand Nimrodi's relationship to
14 Khashoggi to be?

15 A I don't know.

16 Q You didn't know?

17 A I didn't know of his relationship.

18 Q As of today, do you have any knowledge of the
19 relationship between Nimrodi and Khashoggi?

20 A I don't know how deep it is. I know they know
21 each other.

22 Q What's the nature of the relationship?

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1 A I think Mr. Khashoggi, you know, believes that
2 Israel, you know, can play an important role in peace, and
3 Nimrodi is an important guy in the country. He apparently is
4 involved with the Sharon faction, and Sharon is involved in
5 another faction, so he has access to people. Since this I
6 learned he was involved with the August transactions.

7 MS. DORNAN: Did you have the impression that they
8 had a longstanding relationship or was there anything to --

9 THE WITNESS: No.

10 BY MR. KERR:

11 Q You arrive at the airport with Ghorbanifar. I
12 take it your being with Ghorbanifar caused something of a
13 stir; is that correct?

14 A Oh, that's what Ghorbanifar said.

15 Q What were you told in that regard?

16 A Ghorbanifar told me they think you are a CIA
17 agent.

18 Q "They" being the Israelis?

19 A Yes.

20 Q And how was that manifested to you, if it was?

21 A Well, I didn't see it, but Ghorbanifar said they
22 are snapping pictures like crazy of you but you didn't see

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were my bags searched in Tel?

1 it.

2 Q "They" being the Israelis?

3 A Yes. They told me they think you are a CIA
4 agent. Are you an agent?

5 Q You were in Israel for what period of time?

6 A I think we were there three nights. We got there
7 on I guess the 19th and we left on the morning of the 22nd.

8 Q I want you to describe for me what you did and
9 what you saw during that period of time in Israel.

10 A Okay. We got to the hotel. Checked in. The
11 rooms were already set up for us. Then Ghorbanifar went to a
12 meeting, and I don't know what time he got back, three or
13 four hours later, whatever. The next day, we went to
14 Nimrodi's office.

15 Q We being whom?

16 A Ghorbanifar and I. Then we went to Nimrodi's home
17 and swam in the pool and did that for two days waiting for
18 Schwimmer, who was in I think China, and then Schwimmer came
19 back, landed at the airport, went to Nimrodi's house and then
20 they called for somebody, I think Kimche.

21 Q Kimche?

22 A I think so. They came and there was a very short

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1 meeting and that was it.

2 Q You were at Nimrodi's office first?

3 A Yes.

4 Q Any conversation that you recall?

5 A No. There were lots of other people there.

6 Q At the office?

7 A Yes.

8 Q But you can't recall anything that was said or
9 done at that --

10 A No. Nothing to do with Iran or the U.S. It was
11 just, you know, conversation and then we went to have lunch.
12 I'm not sure where we had lunch, whether at his house or
13 what, but we spent the next two days at the hotel walking
14 around.

15 Q When you say we, it was you and Ghorbanifar spent
16 the next two days?

17 A He had lots of meetings and then he would come
18 back.

19 Q Did he tell you what the meetings were about?

20 A They were trying to --

21 Q They being --

22 A Israeli intelligence..

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1 Q Right.

2 A They were trying to check his bona fides and he
3 was giving them I guess information which they could confirm
4 or deny, and I think it went on and on, but that's
5 basically --

6 Q Your impression was that Ghorbanifar was being
7 debriefed during this period of time by Israeli intelligence?

8 A They were checking him out.

9 Q He was providing them with information that they
10 would check out?

11 A I think so.

12 Q That's what he told you?

13 A Correct.

14 Q You were not present when he was being debriefed?

15 A No.

16 Q Do you know what Israeli intelligence he was
17 giving this information to?

18 A Do not.

19 Q Were you yourself giving information to anyone?

20 A No, nobody talked to me.

21 Q All right. Again, do you have any recollection of
22 knowing or learning during this period of time about

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1 Ghorbanifar's previous relationship with Israeli
2 intelligence?

3 A None whatsoever.

4 Q Ghorbanifar didn't enlighten you in that regard?

5 A Did not, no.

6 Q You spent time at Nimrodi's home?

7 A Correct.

8 Q Do you recall anything about conversations that
9 took place when you were at Nimrodi's home?

10 A No. There were no conversations. I mean there
11 was talk about --

12 Q You couldn't have been underwater at the pool the
13 entire time. You must have been talking about something.

14 A His daughter was getting married, you have to come
15 to the wedding, have some great Israeli food and, you know,
16 but it was no business.

17 MS. DORNAN: You didn't discuss what sort of
18 business he was in or anything? Did you learn about his
19 background?

20 THE WITNESS: He was -- let me see. They were
21 involved with desalination plants or something like that, I
22 think he was telling me they have, you know, the finest

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1 technology and, you know, you ought to sell some of our
2 plants to the Arabs, you know.

3 BY MR. KERR:

4 Q Schwimmer arrives on the scene toward the end.
5 Were you present when he was with Ghorbanifar and Nimrodi?

6 A Yes.

7 Q What were they talking about in your presence?

8 A They wanted to send spare parts to Iran.

9 Q They being the Israelis?

10 A Yes, but they couldn't do it without U.S.
11 government approval.

12 Q Spare parts for munitions?

13 A Don't know. Spares. They had to get U.S.
14 approval and they were going to try to do that.

15 Q Did they say how they would try to get U.S.
16 approval?

17 A Go to Washington.

18 Q Did they say who in Washington they were dealing
19 with?

20 A No.

21 Q Anything further that you recall about what was
22 said in your presence during the course of these meetings in

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1 Israel?

2 A No. That's really it.

3 MS. DORNAN: Were they reluctant to speak in front
4 of you?

5 THE WITNESS: They were, yes.

6 BY MR. KERR:

7 Q Why?

8 A I was an American.

9 MS. DORNAN: Did you wander off sometimes and they
10 conducted their business?

11 THE WITNESS: No, the meeting was outside on the
12 patio, and probably it lasted 20 minutes. It was --
13 Schwimmer was exhausted, had just flown back from China and
14 he wanted to go home, and the meeting, I presume it was
15 Kimche they waited for. They introduced him, but the name I
16 never recalled, but it looks like when I look at the
17 pictures, and the most -- it was a short meeting. That's not
18 to say they didn't have another meeting after that. I don't
19 know, but it was an unbelievably short meeting. Schwimmer
20 wanted to go home and that was it. Next morning we left for
21 Paris, like 6:00 in the morning.

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1 BY MR. KERR:

2 Q You and Ghorbanifar on the same plane again?

3 A Yes.

4 Q What did you talk about on the ride back from
5 Paris?

6 A He was excited that maybe the U.S. would approve.

7 Q Approve what?

8 A The Israelis supplying spares.

9 Q And why did he think that was going to happen?

10 A Just the fact that they would go to Washington.
11 He felt good about it.

12 Q Do you have any recollection of Ledeem's name
13 coming up at all, flying into or out of Tel Aviv?

14 A Never.

15 MS. DORNAN: During your time in Israel, did you
16 get much time with Ghorbanifar to discuss the business deals
17 you had gone there for?

18 THE WITNESS: Yes, we had some time. We took long
19 walks. We had I think dinner one night out at one of the
20 restaurants overlooking the water.

21 MS. DORNAN: By the end of this trip, what was
22 your impression of Ghorbanifar?

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1 THE WITNESS: When we met in January of '85, it
2 was a very good chemistry, you know, exceptionally good
3 chemistry. He is a very, you know, considerate person,
4 always asked about your family, the kids, I mean it is
5 important to him, whereas lots of other people would never
6 ask, you know, how is your wife? How are the kids doing? He
7 was always very considerate, and we developed a relationship,
8 and that's why I pursued it.

9 MS. DORNAN: You felt by this time that he could
10 deliver and he was somebody you could trust?

11 THE WITNESS: No question. I believed if anybody
12 could deliver he might be able to deliver. Get this contract
13 done, get some business out of the country because you need
14 to know somebody, you know, to get these things done in Iran,
15 more so than any other place because it is a revolutionary
16 government. It is impossible to do business.

17 MS. DORNAN: Did you talk in any detail about his
18 Iranian contacts?

19 THE WITNESS: He talked about he had great friends
20 in the prime minister's office.

21 BY MR. KERR:

22 Q Did he identify who his friends might be?

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1 A No.

2 Q All right, you fly back into Paris when?

3 A On the 22nd.

4 Q All right, and do you and Ghorbanifar part ways at
5 that point or what happens?

6 A I then -- yes, I go then on the 23rd to New York.

7 Q When do you next have contact with Ghorbanifar?

8 A I don't have it down, but I think it was in
9 August.

10 Q In August? Let me stop you then. You were aware
11 that Khashoggi on July 1 sent a letter to Mr. McFarlane
12 enclosing a rather lengthy paper; correct?

13 A Way after the fact. I was not aware -- I got it, I
14 don't know when, but long after the fact.

15 Q You were not aware at the time that this letter
16 was being drafted for McFarlane?

17 A That's correct. I didn't know anything about it.
18 I was not involved whatsoever.

19 Q Well, let's start by identifying the document.
20 Let me ask to have marked as Exhibit 3 the Khashoggi letter
21 of July 1 with its enclosure.

22 (Exhibit 3 identified.)

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1 BY MR. KERR:

2 Q If you would look at Exhibit 3, you provided me
3 with this document; correct?

4 A Correct.

5 Q When did you come into possession of Exhibit 3?

6 A Maybe the fall of '85. I don't remember, but long
7 after.

8 Q Was any explanation given to you of why you
9 weren't being made aware of this document when it was being
10 produced?

11 A No. I have never been involved in anything like
12 this with him whatsoever. I mean, he does -- he maybe sends
13 lots of things out. I have never been involved in it.

14 Q Do you know who drafted either the letter or the
15 attached memorandum?

16 A Don't know.

17 Q You don't know who in Khashoggi's organization did
18 this?

19 A Do not know.

20 MS. DORNAN: Who would normally do that sort of
21 thing, do you know?

22 THE WITNESS: I really don't know.

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1 BY MR. KERR:

2 Q Do you have any knowledge of the role Robert
3 Shaheen may have played in preparing these documents?

4 A I don't know. I don't think -- he may have been
5 involved, but I don't think so. I really don't know.

6 Q How did you come into possession of this document?

7 A I don't know, Khashoggi may have said, you know, I
8 sent this to McFarlane on how to solve the Middle East
9 problem, and I said I have never seen it, so he gave it to
10 me. It is not unusual, okay?

11 (Discussion off the record.)

12 BY MR. KERR:

13 Q When the document came into your possession, you
14 did review it, I take it; right?

15 A I skimmed it, yes.

16 Q The letter to McFarlane says that Khashoggi has
17 had a number of approaches from Iranian officials. Do you
18 know what he is referring to in that regard?

19 A I can only think of Ghorbanifar. He may have met
20 other people through Ghorbanifar which I don't know about.

21 Q He says that I have managed to channel them, these
22 approaches, through a single senior individual who is in

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1 charge of Iranian intelligence in Western Europe.. Do you
2 know who he is referring to there?

3 A I think he is referring to Ghorbanifar, but I'm
4 not sure.

5 Q Was it your understanding that Ghorbanifar was in
6 charge of Iranian intelligence in Western Europe?

7 A Well, way after the fact, I heard somebody, you
8 know, mention that he may be, you know, involved with Iranian
9 intelligence, but I don't know.

10 MS. DORNAN: Ghorbanifar never made such claims?

11 THE WITNESS: No.

12 MS. DORNAN: Or hints?

13 THE WITNESS: No, but I felt he was important. He
14 was always on the go. Always meeting in Paris with mullahs
15 and people from Iran.

16 BY MR. KERR:

17 Q All right, do you know how Khashoggi arranged for
18 delivery of this material to McFarlane?

19 A Do not know.

20 Q All right, do you have any knowledge of the
21 response McFarlane made to the material once he received it?

22 A I think in the hearings I think he gave it to

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1 somebody to read. That's the only thing I know about it.

2 Q All right, as of 1985, did you have any knowledge
3 of McFarlane's response to this material?

4 A None whatsoever.

5 Q I take it from what you have said you played no
6 role in the drafting of this material yourself?

7 A None whatsoever.

8 Q As of the trip to and from Tel Aviv with
9 Ghorbanifar, what discussions, if any, had you had with
10 Ghorbanifar about the role he could play in trying to obtain
11 the release of American hostages?

12 A Never came up.

13 Q As of the time of that trip, what discussions, if
14 any, had you had with Ghorbanifar about munitions, U.S.
15 munitions going to Iran?

16 A Never mentioned.

17 (Discussion off the record.)

18 MR. KERR: We'll break now and get together at
19 quarter of 1:00.

20 (Whereupon, at 11:55 a.m., the deposition was
21 recessed, to be reconvened at 1:00 p.m. this same day.)
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AFTERNOON SESSION

(1:00 p.m.)

Whereupon,

ROY FURMARK

resumed the stand and, having been previously duly sworn, was examined and testified further as follows:

EXAMINATION (Continued)

BY MR. KERR:

Q Let me pick up the events as you recall them.

After your return to Paris from Tel Aviv, what is the next event that you recall with regard to the Iran arms initiative?

A I remember being in Marbella on Khashoggi's yacht, and Ghorbanifar came aboard and was excited, but he said he needed \$1 million to make a prepayment to get the transaction going.

Q All right, now let's try to place that in time. When would that event have occurred?

A The end of July, I think.

Q And you base that thought on what? Your travel records?

A Yes, because it was right after Khashoggi's birthday party, and I'm not sure how many days after.

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- 1 Q And his birthday was when?
- 2 A The 25th of July.
- 3 Q And your travel records show you being in the
- 4 right part of the world?
- 5 A No, I missed the birthday party.
- 6 Q But you were on his yacht?
- 7 A Yes.
- 8 Q When were you in that part of the world from your
- 9 travel records?
- 10 A I would say -- it doesn't show here, but I would
- 11 say it was more like the end of July because we had -- I know
- 12 I got there a few days after the party.
- 13 Q And this would have been the first time you had
- 14 seen or talked with Ghorbanifar since Tel Aviv?
- 15 A I think so, yes.
- 16 Q And you were there when Mr. Ghorbanifar appears
- 17 the yacht?
- 18 A Yes.
- 19 Q Tell me what happened.
- 20 A He was excited that, you know, that the thing was
- 21 going to go forward, but he couldn't go forward because he
- 22 needed \$1 million to make a prepayment.

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- 1 Q What thing is it that's going forward at this
2 point?
- 3 A The transaction.
- 4 Q What did you understand that transaction to be?
- 5 A Spare parts.
- 6 Q Did you know anything more about them, what kind
7 of spare parts?
- 8 A No, I didn't.
- 9 Q But it was your understanding it was spare parts
10 as opposed to weapons?
- 11 A Correct.
- 12 Q Did Mr. Ghorbanifar ask Mr. Khashoggi to do
13 anything?
- 14 A They were chatting about the transaction, and he
15 agreed to in effect make the bridge financing of \$1 million.
- 16 Q He being Khashoggi?
- 17 A Khashoggi.
- 18 Q The records that we have indicate that
19 Mr. Khashoggi put up approximately \$1 million on or about the
20 7th of August, 1985. Were you present when Khashoggi
21 actually posted the \$1 million?
- 22 A When you say "posted" --

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1 Q Gave a check to Ghorbanifar, anything of that
2 kind?

3 A I think it was a -- he was going to instruct his
4 bank to transfer the money, I think, to transfer the money
5 an account.

6 Q You would have known that because he would have
7 said that to Ghorbanifar in your presence?

8 A I don't remember exactly how. That's my
9 recollection.

10 Q Do you have any further knowledge about this
11 particular transaction, the \$1 million transaction?

12 A No, other than he got a check from Ghorbanifar.

13 Q Were you present when that check was given? Did
14 you see the check change hands?

15 A I don't think I saw the check. I don't recall,
16 you know.

17 Q All right, again, the records that we have
18 suggested that Khashoggi posted the million dollars on or
19 about August 7 and got the million dollars back on or about
20 August 29, 1985?

21 A I knew the August 7 date, but I didn't know the
22 date when he got it back. What was the date that he got it

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1 back?

2 Q According to our records, on or about August 29,
3 1985.

4 Did you acquire any additional knowledge about the
5 transaction for which this million dollars went?

6 A No.

7 Q Did you have any additional meetings in August
8 when this was discussed?

9 A No.

10 Q Where were you in August of '85?

11 A I was in Marbella, Spain, shows August 1st through
12 the 8th, then I went to New York.

13 Q And you remained in New York until when?

14 A September 1, I went back to London. London,
15 Paris. Looks like I flew New York, London, and then I went
16 to Paris, and I was in Paris September 2 and 3, then I went
17 back to London on the 4th, then I went to Zurich on the 5th
18 and was there through the 6th, then I went back to New York,
19 I guess. New York, London, then back to New York.

20 Q And you remained in New York for the remainder of
21 September?

22 A No, then I went back to London on the 9th, and I

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1 was there through the 10th, 11th, 12th and 13th. I was in
2 London on the 17th and 18th, looks like.

3 Q All right, in terms of meetings or discussions
4 relating to the Iran initiative, what meetings or discussions
5 did you have in September?

6 A None.

7 Q Were you aware or were you not that Khashoggi was
8 asked to cause another bridge financing arrangement to be
9 entered into?

10 A I did not know about it.

11 Q When did that come to your attention?

12 A Way after. Probably after all this thing broke,
13 learned sometime that he did two transactions, but I didn't
14 know anything about it.

15 Q So you were not aware in September --

16 A Of the \$4 million transaction. No.

17 Q Let's stop on that transaction for a moment. At
18 some point you did develop some familiarity with this
19 transaction, correct, sometime last year that you learned
20 about that transaction?

21 A Sometime in '86, yes.

22 Q From your prior testimony, you indicated that you

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1 believe that the source of Khashoggi's funds was another
2 company. You testified to the Senate Select Committee that
3 you thought Khashoggi borrowed the \$4 million from an English
4 firm, Lonrho. What was the basis of your information?

5 A Mr. Khashoggi.

6 Q What did he tell you?

7 A That's where he got the funds from.

8 Q What is Lonrho?

9 A Lonrho is a major English trading company with
10 extensive holdings in Africa, major commodity trading house.
11 Also owns all the hotels, the D.K. Levitt hotels they bought
12 in Mexico and stuff. It is a big, big company, and that's
13 the same company that tried to buy Herod's if you remember,
14 and then lost out to the Egyptian.

15 Q Do you know anything about the terms under which
16 Khashoggi borrowed his money?

17 A Do not, no. All I think is when they had all the
18 trouble with Lonrho recently, I think it made me refer back
19 to it, but I don't know.

20 Q You mentioned a meeting with John Shaheen that
21 occurred on or about October 3, I believe you said?

22 A Yes, I think October 3.

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1 Q In October, did you have contact with anyone else
2 with regard to the Iran initiative?

3 A No.

4 Q You had no contact with Ghorbanifar in October?

5 A Yes, we did.

6 Q When in October did you meet with Ghorbanifar?

7 A Well, I would say, you know, the tail end of
8 October, because we were getting a crude oil contract, and
9 were putting together a company, Ghorbanifar, Khashoggi and
10 Fuhrman, and I went to Hamburg in October to deal with a
11 company called Mabanafit because they were going to be the
12 contracting party and we would sell the oil to Shell. Iran
13 would sell it to Mabanafit, Mabanafit would sell it to Shell.
14 We had put together a draft agreement between us.

15 Q Run through where you were in October for me,
16 please.

17 A All I have, okay, is October 20 to the 24th, New
18 York, London, 20th, London, Hamburg the 21st, 22nd Hamburg,
19 23rd Hamburg, 24th London, New York.

20 Q Ghorbanifar was in the United States October 7,
21 perhaps October 9. Did you meet with him at all during that
22 period of time?

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1 A We had dinner one night, I think.

2 Q And that would have been where?

3 A In New York City.

4 Q Is this you and Ghorbanifar?

5 A We had dinner one night, and another time he was
6 in New York we had dinner, he and I, and he had a lady friend
7 with him.

8 Q Both dinners would have been in October of '85?

9 A I'm not sure, I don't have it marked.

10 Q Do you remember what you and he would have talked
11 about?

12 A Well, the night we had dinner alone, I'm not sure
13 what month it was, but you know, it was basically pursuing
14 all the business we were trying to do through him.

15 Q Did you have any discussions about the Iran
16 initiative?

17 A No. I don't recall that, because I had not heard
18 anything really since, you know, the August, and I didn't
19 know about the September transaction. You must realize that
20 these guys don't tell you anything. I think I told you that
21 earlier. If you ask they get suspicious. That's a standard
22 Middle East trait, okay?

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1 Q Ghorbanifar was in Dubai in late October. He was
2 in Dubai October 29, October 30, that period of time. Did
3 you know he was going to Dubai?

4 A No.

5 Q As I mentioned earlier, Ghorbanifar was in contact
6 with Ledeen in October of 1985, but if I understand your
7 testimony, you didn't know Mr. Ledeen at that point?

8 A No.

9 Q Let me drop back to one other matter. The
10 relationship, the business relationship that had included
11 Mr. Hashemi, you and Mr. Khashoggi sold out your interest in
12 that venture to Hashemi sometime before October of '85; is
13 that correct?

14 A No, it was the end of July.

15 Q Tell me what happened in that regard.

16 A Well, first of all I think Mr. Khashoggi felt that
17 Mr. Hashemi could not deliver. I think he believed that
18 Mr. Ghorbanifar in the end could deliver oil contracts,
19 counter trade contracts, and my experience, okay, with
20 Hashemi was in July and June. I was negotiating a crude oil
21 contract with Shell for European Mercantile, which is
22 Hashemi's company. Prior to that, we were negotiating with

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1 Tampimex the same contract, and in the Tampimex transaction,
2 our profit was half of what the profit would have been with
3 Shell.

4 I used my relationship with Shell to get them to
5 go along and we drafted lots of contracts, drafts ready for
6 signature where we would have had about \$1.15 a barrel profit
7 on a hundred thousand barrels a day, which is about \$40
8 million of profit, whereas with Tampimex the profit would
9 have been about 60 percent of that. I just was flabbergasted
10 that he wouldn't sign with Shell and they were ready to sign,
11 having the credit of Shell and the profit that we would have
12 with Shell; and when he didn't sign I knew there was no oil,
13 and it had affected my relationship with Shell and I had told
14 this to Khashoggi. Then little did we know was that Hashemi
15 was warming up to Fritz Ingram of Tampimex, and in the end,
16 there was a confrontation between Khashoggi and Hashemi as to
17 you buy me out, I will buy you out, you know, I'm not going
18 to do all this work and you make all this money, Khashoggi,
19 I'm doing all the work, so Khashoggi agreed to return the
20 shares and he got back his \$500,000. I returned my shares
21 and was supposed to get my expenses back, which I never got.

22 We found out later that simultaneously Hashemi

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1 sells half the company to Fritz Ingram for a reported \$2
2 million, so that was like the end of August. I would say the
3 end of August, first week of -- end of July, rather, first
4 week of August.

5 Q Okay, in terms of events in the fall of 1985, when
6 did you get clued in again on things around the Iran
7 initiative?

8 A I never knew about the November transaction. In
9 fact, when Time magazine did a story and they showed the
10 November transaction, I spoke to the reporter and I said, you
11 know, it is wrong. I never heard of anything Khashoggi was
12 involved in. I never knew about it.

13 Q How frequently were you in touch with Khashoggi
14 during this period?

15 A Fairly frequently.

16 Q But he never clued you in?

17 A He never clues anybody in, unless if I was working
18 with him on it I would know about it, but he is not one to --
19 his conversation with me was, you know, how are we coming on
20 the oil contract with Ghorbanifar? But I never knew about --
21 just like I never knew about the February transaction.

22 Q To what extent were you dealing with Ghorbanifar?

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1 A When I could locate him or see him, I was pushing
2 him on the things I wanted to do. I wanted a special
3 contract with NIOC to handle one of their problems they had
4 with an oil company. Trying to get an oil service company to
5 buy to service Ghorbanifar, trying to get some, trying to get
6 a contract out of Iran and through Ghorbanifar because there
7 is that potential, but unfortunately, he didn't spend much
8 time on the commercial side.

9 Q He being Ghorbanifar?

10 A Right. One of his Paris friends says, you know,
11 politics pops up and he forgets about commercial business
12 completely, but he was, you know, he said he was going to get
13 it, he was going to get it, but he never got it. He never
14 got any contracts.

15 Q Were you aware that Ghorbanifar was dealing with
16 representatives of the U.S. government in the fall of 1985?

17 A In the fall of '85?

18 Q Yes.

19 A No.

20 Q He didn't mention that to you?

21 A No.

22 Q Shifting gears a bit, with regard to Khashoggi,

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1 were you aware that he was negotiating with Ernest Miller and
2 Donald Fraser and various companies that they are related to
3 such as Sarsvati International?

4 A No.

5 Q You were not familiar with those negotiations?

6 A No.

7 Q And the various loans that Khashoggi obtained
8 through the Miller-Fraser connection in the fall of '85, you
9 were not privy to?

10 A Never knew about it.

11 Q Turning to January 1986, you mentioned that when
12 Ghorbanifar was in the U.S. to take the lie detector test for
13 the CIA, you met with him and Mr. Ledeen.

14 A Yes.

15 Q Take me through what happened there.

16 A He called me --

17 Q He meaning Ghorbanifar?

18 A Yes. He said come on down to Washington and have
19 dinner with me, so I went down on a Saturday I think it was.
20 I think we stayed at the Four Seasons hotel, and we then went
21 to Scott's, and there I met Mr. and Mrs. Ledeen.

22 Q That's the first time you had met Ledeen?

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1 A Y
2 Q What kind of introduction was made? What did
3 Ghorbanifar say about his relationship with Ledeen?

4 A He said he was a professor and he was an expert on
5 terrorism, and the next morning on television he was on one
6 of the programs, you know, which I turned on, and his wife
7 was there, and they kept -- and of course Ghorbanifar said I
8 was very close to Khashoggi, and so the conversation, you
9 know, centered on Khashoggi and his life and having been on
10 the yacht, having been on the plane, and there was a lady
11 friend of Ghorbanifar's there, and so the conversation was,
12 you know, social, and a few dances, they have music there,
13 good food, I don't know if you have been there, and that was
14 it.

15 Q Was there any discussion with Ledeen about what he
16 and Ghorbanifar had been doing together?

17 A No.

18 Q Was there any discussion about the status of the
19 Iran initiative at that dinner?

20 A No.

21 Q Now, your meeting with Ghorbanifar was simply that
22 dinner that evening?

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1 A No, then I had brunch on Sunday before I went back
2 to New York, and the three of us had brunch.

3 Q Three being --

4 A The lady friend, walked up to someplace.

5 Q What was the nature of the conversation at that
6 brunch?

7 A You know, he mentioned, I'm not sure when he
8 mentioned it, but he said he was going to take a lie detector
9 test, and he was going to Ledeen's house or somebody's house
10 in the afternoon, Sunday afternoon, and he said we're making
11 progress.

12 Q Progress as to what?

13 A I knew he was meeting with the U.S. government
14 officials. Who I don't know, but Ledeen had arranged it.
15 Maybe the name McFarlane came up, you know. With all this
16 publicity and all the televised hearings, there are so many
17 names that get thrown into the picture which it would not
18 have been before, but that was all.

19 Q All right, in terms of the state of play, he
20 didn't describe any further what was going on?

21 A No.

22 Q Did you have any other contact with Ghorbanifar in

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1 January of '86?

2 A I think I went back on Monday to see him, because
3 I went back to New York because my dad was in intensive care
4 in the hospital, and then I think I went back to see him in
5 the afternoon, Monday afternoon, maybe Tuesday afternoon, I'm
6 not sure.

7 Q Back to D.C.?

8 A Yes.

9 Q What happened then?

10 A He wanted to, you know, asked me to come down and
11 I was there and nothing happened.

12 Q What would you talk about?

13 A How everything was going.

14 Q Did he say anything more about the lie detector
15 test or the business he was trying to do with the U.S.
16 government or anything like that?

17 A He told me one thing, I'm not sure when he told
18 me, but he told me that -- maybe this was on Saturday -- that
19 a ship was going to be boarded or something, an American
20 freighter, and that was a signal to the people he was seeing
21 as his bona fide. I'm not sure of the exact timing, but that
22 I remember him telling me, that he I guess told them in

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1 advance of the Iranian patrol boat going to board an American
2 freighter; and that apparently then happened because I read
3 it in the paper, and that was a signal as to his bona fides.

4 Q Anything further said about the nature of the
5 matters being negotiated with the U.S.?

6 A No.

7 Q All right. With regard to Khashoggi, what were
8 you and he doing in January of '86?

9 A I see myself going to London the end of January
10 and then going to Zug, New York, London on the 27th. 28th,
11 London to Zug and Switzerland, and back on the 30th to London
12 and the 31st, London to New York.

13 Q Moving on to February of '86, at some point you
14 learned that Khashoggi lent \$10 million to Ghorbanifar in
15 February of '86. Did you know that at the time?

16 A No, no. No. Didn't know it whatsoever.

17 Q When did you learn of it?

18 A Months later.

19 Q Can you place the context in which you learned of
20 the \$10 million transaction?

21 A It could have been -- I'm just guessing, May. I'm
22 just guessing.

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1 Q Let me --

2 A April, May.

3 Q Let's see if we can't connect it up in other
4 ways. You were paid \$88,500 by Khashoggi on April 15, 1986;
5 correct?

6 A Yes.

7 Q Why were you paid that sum by Khashoggi?

8 A Well, Khashoggi has been, you know, sending me
9 money for a number of years. I do lots of things for him. I
10 have been expecting \$100,000 from him for a while. On the
11 Hashemi thing, he got his \$500,000 back, I didn't get any
12 money back on my expenses, and I do lots of things for him.
13 You know, when I need money I ask him for it.

14 Q Was it your understanding that the \$88,500 was
15 related to an arms transaction or business transaction that
16 Khashoggi entered into with Ghorbanifar in February?

17 A I didn't know about the transaction in February.

18 Q I'm trying to jog your recollection. Let me give
19 you some facts. According to our record, Khashoggi was paid
20 \$12 million on April 11 as repayment for the loan that he had
21 made back in February. Two days, four days later, April 15,
22 you get paid \$88,500. There's a coincidence in terms of the

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1 money coming into Khashoggi's hands and a payment to you. I
2 there a relationship between the \$88,500 and the February
3 arms transaction?

4 A In my opinion there's not. I think Khashoggi pay
5 money out when he gets cash in. That's how he operates. He
6 gets a chunk of money in, he pays money out. I have down
7 that he got \$3 million on February 26, 1986, and he got the
8 balance on the 11th. This is what they told me.

9 Q They being --

10 A Khashoggi.

11 Q Khashoggi's accountants?

12 A Yes. No, wait, they got \$6 million on the 26th of
13 February. Is that what you have?

14 Q No, I don't, but --

15 A Then they got the balance on the 11th of April.

16 Q The \$88,500, that's not a round number. What does
17 it correspond to? Why \$88,500 as opposed to 90?

18 A Lots of times he said he would send me money and
19 get smaller amounts. I have no idea how the \$88,500 was
20 determined. I then got, a month later I got another \$88,500

21 Q Yes, I will come to that in a moment. The \$88,500
22 does not represent any agreed-upon sum?

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- 1 A Not to my knowledge.
- 2 Q Nor does it tie directly to the arms transaction?
- 3 A As far as I'm concerned, no.
- 4 Q Well, has Khashoggi told you anything to the
- 5 contrary?
- 6 A No.
- 7 Q And as to why he sent you \$88,500, what is the
- 8 explanation? Why did he send you that 88,500?
- 9 A I have been trying to have him send me money for a
- 10 long time. I think as I said --
- 11 Q How much money and for what reason?
- 12 A I'm just trying to recover the expenses I never
- 13 got out of Hashemi, which is over \$200,000.
- 14 Q Have you ever invoiced Khashoggi, sent him a bill?
- 15 A No. Occasionally, you know, if he asks for it. A
- 16 lot of times I ask him and he sends me money because I'm
- 17 doing lots of different things for him.
- 18 MR. GENZMAN: How was that money paid to you?
- 19 THE WITNESS: By bank wire.
- 20 MR. GENZMAN: Was there any note that was sent
- 21 along?
- 22 MR. KERR: We have the wire here.

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1 MR. GENZMAN: Is there any verifying documents
2 that were sent along?

3 THE WITNESS: No, no.

4 BY MR. KERR:

5 Q The way this transaction worked was that the money
6 was simply wired into your account, you didn't receive any
7 explanatory material on it?

8 A No, I get money wired in on various occasions from
9 him.

10 Q Let me show you the Furmark Corporation checking
11 account records for the period ended March 31, 1986. The
12 reference to the Khashoggi wire is contained in the backup
13 material for that statement. The statement will be Exhibit
14 4.

15 (Exhibit 4 identified.)

16 BY MR. KERR:

17 Q Exhibit 4 is a bank statement and some of the
18 backup material for the March 31 period for the Furmark
19 Corporation?

20 A It is March 31, ending April 30 '86.

21 Q And the wire transfer record is attached; correct?

22 A Right.

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1 Q And you have no other documentation on what this
2 88,500 payment was for; is that correct?

3 A It is money that he was sending me.

4 Q Mr. Khashoggi does business differently than other
5 folks, but even sugar daddies usually give you an explanation
6 for what was going on. What was the reason for the \$88,500
7 coming your way?

8 A Because I needed the money. I was in trouble
9 financially.

10 Q Was this tendered as a loan or what?

11 A No, no. He has been sending me money for a number
12 of years. He asked me to go here, to go there. I'm no
13 longer on retainer to him.

14 Q How is it carried on the books? This is payable
15 to the Furmark Corporation, I take it?

16 A It is income.

17 Q By Furmark?

18 A Yes.

19 MR. GENZMAN: Had you asked him for a payment
20 around that time?

21 THE WITNESS: I asked for \$100,000 and he said he
22 would send me \$100,000 in March, beginning of April. It

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1 didn't come.

2 MR. GENZMAN: When you asked him for that amount
3 at that time, what was the purpose?

4 THE WITNESS: Because I needed it. The money came
5 in and it was paid out to keep me going.

6 MR. GENZMAN: Did you indicate why he should be
7 paying you this amount from his end other than that you
8 needed it?

9 THE WITNESS: No: It is not unusual for him to do
10 that.

11 BY MR. KERR:

12 Q Was there any understanding between you and
13 Mr. Khashoggi with regard to a percentage payment of any kind
14 that you would receive in connection with the Iranian arms
15 transactions?

16 A No.

17 Q At any time?

18 A I did not know about this transaction at all.

19 Q Whether or not you knew about this transaction,
20 did you ever have an agreement with Khashoggi that you would
21 receive payment for any Iranian arms transactions with
22 Ghorbanifar?

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1 A I was getting my money on the oil deals. 10
2 percent of the oil contract with this new company.

3 Q Did you ever have any agreement with Khashoggi
4 that you would be paid money in connection with the Iranian
5 arms transactions? Yes or no?

6 A Mr. Khashoggi and I did not have any arrangement
7 that he was going to give me anything.

8 Q All right, similarly with regard to
9 Mr. Ghorbanifar, did you have any arrangement with
10 Mr. Ghorbanifar relating to the Iranian arms transactions?

11 A No.

12 Q And with regard to the February \$10 million loan
13 by Khashoggi, you didn't learn about that until much later in
14 1986?

15 A That's correct. I never knew about it.

16 Q In February/March of '86, take me through where
17 you were during that period.

18 A Well, in February I went to London on the 2nd, and
19 then I went to Dubai on the 4th. I was in Dubai, I came back
20 on the 11th to Paris. I was in Dubai from the 4th to the
21 11th.

22 Q Okay, then you came back to Paris. What happens

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1 next?

2 A I was in Paris for four days and I went to London
3 and then I went back to New York and then I came back to
4 Paris on the 20th. I was there through the 28th.

5 Q Where did you go there?

6 A Then I went to Geneva. I was there until the
7 4th. Then --

8 Q Were you meeting with Khashoggi in Geneva?

9 A We had a meeting in Geneva with Khashoggi; I think
10 that may have been the time when he brought his oil company
11 people from California, because we were going to get oil from
12 Iran for a refinery in Hawaii. I think that may have been
13 the time.

14 Q You left Geneva when, the 4th?

15 A Yes.

16 Q Where did you go then?

17 A Paris.

18 Q You stayed in Paris --

19 A Until the 9th, and then I went to London for a
20 couple of days.

21 Q Take me through the rest of the month. Where were
22 the rest of your travels in March?

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1 A On the 19th I went to Paris, the 20th in Paris.
2 The 21st I went to Monte Carlo. I was in Monte Carlo until
3 the 23rd and then I went London, New York.

4 Q Okay, let me just go through a couple of events.
5 On the 4th and from the 4th through the 5th and 6th,
6 Khashoggi picked up Manny Floor, and he and Floor and Robert
7 Shaheen went down to the Cayman Islands to meet with Donald
8 Fraser and Mr. Miller. Were you aware from your meeting with
9 Khashoggi just before the 4th that he was going to Cayman
10 Islands to discuss a series of loan transactions with Fraser
11 and Miller?

12 A Never knew about it.

13 Q When you spoke with Khashoggi later on in March,
14 he did not relate to you what had happened at his meetings in
15 early March with Fraser and Miller; is that correct?

16 A Never.

17 Q Floor flew out to Geneva March 17 through 18 to do
18 the paperwork on these loan transactions that had been
19 negotiated in the Cayman Islands. Did you meet with Floor at
20 all during that period of time?

21 A No, sir.

22 Q Again, you don't have any knowledge of the loan

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1 transactions that Floor was working on?

2 A None whatsoever.

3 Q As a result of the Geneva meetings, the board of
4 Triad America was reconstituted. Did you have any knowledge
5 of those events at that time?

6 A No, sir.

7 Q In March of 1986 was your office broken into?

8 A I don't know whether it was March or February. It
9 was broken into over the weekend.

10 Q Describe to me what happened in that break-in.

11 A Well, Monday morning we got there, and the lock
12 was off. It was obvious somebody had been through all the
13 papers. They didn't take anything that I knew of. They
14 didn't take any equipment or anything like that. We reported
15 it to the building. The building came up and installed a new
16 lock.

17 Q Did you relate this break-in to Mr. Ghorbanifar?

18 A I told Khashoggi and Ghorbanifar that somebody
19 broke into my office. I had no idea who did it.

20 Q Did you suggest to either of them that you thought
21 the break-in had been done by U.S. officials, either CIA or
22 someone else?

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1 A I didn't know who did it. I had no idea.

2 Q Did you suggest to either of them that that was
3 the likely source of your difficulty?

4 A I think, you know, Ghorbanifar, I think maybe he
5 thought maybe it was the CIA that did it, but I didn't know,
6 and I don't think I said who did it because I didn't know.

7 Q Did you suggest to Ghorbanifar that he lodge a
8 complaint with federal officials about this break-in?

9 A No, sir.

10 Q Were you aware that he had caused such a complaint
11 to be made?

12 A I think after the fact, yes.

13 Q How did you learn of it after the fact?

14 A I think I may have read it in the report.

15 Q Other than the report, do you recall discussing it
16 with Ghorbanifar?

17 A I think I remember him telling me that his lady
18 friend in California was harassed or something like that, and
19 he thought my office break-in was connected or something, but
20 that was the extent of it.

21 Q Did you ever discuss this break-in with Michael
22 Ledeen?

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1 A No.

2 Q Other than that dinner that you described with
3 Ledeen, have you had other occasions to meet with Ledeen,
4 meet with or talk to?

5 A I think I may have talked with him on the
6 telephone, because I called him to invite him to a dinner in
7 Washington when the OSS was presenting an award, and he
8 couldn't go. He had another dinner.

9 Q All right. We've discussed the payment that you
10 received in April. You did or did not know in April that
11 Khashoggi was being repaid for his February loan?

12 A I did not know.

13 Q All right --

14 A I did not know about the transaction.

15 Q When next did you have conversations with
16 Ghorbanifar or Khashoggi about the Iranian initiative?

17 A I would have to say that it is in June.

18 Q What causes you to say that?

19 A Because Khashoggi, you know, told me that, you
20 know --

21 Q Well, something is triggering a recollection.
22 What's the event? What causes you to recollect something

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1 happening in June?

2 A Well, he was under pressure and the transaction
3 wasn't completed and he hasn't gotten any money.

4 Q And he tells you about that at that point?

5 A And he asked me to stay in close touch with
6 Ghorbanifar, find out what's happening.

7 Q Let's back up. He made a loan of about \$15
8 million or a payment to Lake Resources on or about May 10,
9 1986. Does that correspond to your recollection?

10 A I was told May 15, but --

11 Q Did you know he was doing that at the time he did
12 it?

13 A Did not.

14 Q When did you first find out that he had made such
15 a payment?

16 A I would say in June, sometime in June I was over
17 there and he was -- he knew, you know, that the shipment had
18 been made, but he had not been paid.

19 Q Take me through your travels in June. Where were
20 you?

21 A I was in London, Paris, Paris for three days, went
22 to Nice --

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1 Q Give me the dates. You were in London, Paris,
2 when?

3 A June 1, New York, Paris, via London, and I was in
4 Paris on the 2nd, 3rd and 4th and then I went to Nice, to
5 Monte Carlo again, on the 5th, and I flew home to New York on
6 the 6th from Nice to New York.

7 Then on the 18th I went New York to Paris, and I
8 stayed in Paris for a week, then I went on the 26th to Nice,
9 then on the 27th I went to Marbella, Spain, to Adnan's
10 house. On the 28th, I went to Nice on the 28th, and I was
11 there on the 30th. I was there July through the 7th. On
12 July 8 I went Nice, Paris, London, Paris. I had a meeting at
13 the airport in London, then I came back to Nice on the 9th.
14 I was in Nice the 9th, 10th, 11th and 12th. I went to Geneva
15 on the 13th, and I went on the 14th to Paris. I stayed in
16 Paris through the 24th of June -- July rather.

17 Q Let's stop there for a minute. Nice is where
18 Ghorbanifar has his home?

19 A He lives in the next town.

20 Q When you were in Nice, were you visiting with
21 Ghorbanifar?

22 A A couple of occasions he came to see me.

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1 Q Why else would you have been in Nice?

2 A No, I was just waiting, you know. I was the
3 contact between he and Khashoggi.

4 Q So the reason you were in Nice was to make contact
5 with Ghorbanifar?

6 A You know, and find out what was happening, because
7 Khashoggi was very concerned.

8 Q Using the schedule you have given me as a way of
9 trying to place when you were brought into this matter again
10 by Khashoggi, give me your best estimate of when you were
11 there.

12 A I would say middle of June.

13 Q Let's use another event. You were paid \$8000 and
14 change by Khashoggi on June 6.

15 A Right.

16 Q What was that payment for?

17 A Well, he asked me to go down to Dubai, and I went
18 down in February.

19 Q Again, how does that relate to the payment of
20 \$8000?

21 A Well, I said I never got anything on the trip down
22 to Dubai and I need some money, send me something, so he said

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1 send me something and I sent him an invoice.

2 Q Did you send an invoice for \$8,038.51?

3 A I sent it to his office.

4 Q That represented your expenses to Dubai?

5 A Yes.

6 Q What this is is a reimbursement of those expenses
7 correct?

8 A Right.

9 Q In addition, you received a \$60,000 payment from
10 Manucher Ghorbanifar on June 16; is that correct?

11 A Correct.

12 Q What was that payment for?

13 A That was either an investment on his part or a
14 loan on his part. To me, there's a company called
15 Alternative Power, APC, Alternative Power, which was in the
16 development of a cogeneration power plant in Pennsylvania.
17 At a shareholders' meeting, the chairman of the board wanted
18 to in effect turn over the project to Bechtel Corporation.
19 did not want that to happen.

20 I wanted to keep the -- we have a license to use
21 the Saarberg technology in Pennsylvania exclusively, and I
22 told them I wouldn't permit it, so he said, well, then, why

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1 don't you buy our shares back and it came to \$60,000, and I
2 tried to get the money from various people, and Ghorbanifar
3 knew some of the things I was doing, and I chatted with him
4 about it, and he then sent me the \$60,000 -- came into my
5 account -- and based upon a contract between the selling
6 shareholders and myself, the money was paid to the selling
7 shareholders' lawyers in escrow, and then they turned over
8 the shares. Ghorbanifar was supposed to send additional
9 money for the development of the project which he never did.

10 Q Let me show you what will be Exhibit 5, which is
11 the bank statement for Furmark Corporation of June 30, 1986.
12 It has attached to it an agreement of June 13, 1986 between
13 yourself, Mr. Weisser, Roag AG and Vipema?

14 A Vipema.

15 Q And APC, which is the buyout agreement referred to
16 earlier.

17 (Exhibit 5 identified.)

18 BY MR. KERR:

19 Q Going through the items, there is a credit slip
20 showing a \$60,000 credit wired into the Furmark Corporation
21 account by Manucher Ghorbanifar on June 16 and that's the
22 \$60,000 amount that you utilized to effect the buyout of the

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1 stock; correct?

2 A Correct.

3 Q There's also a credit confirmation showing
4 \$8,038.51 wired into this account by Mr. Khashoggi, and
5 that's the amount that corresponds to the reimbursement of
6 your Dubai expenses; correct?

7 A Correct.

8 Q Again, just so we're clear, the \$60,000 amount
9 Ghorbanifar paid to Furmark Corporation on June 16 was not
10 related to the Iranian arms transaction; is that correct?

11 A No way.

12 Q Similarly, the \$8000 amount that Khashoggi paid
13 was not related to the Iranian arms transaction?

14 A No.

15 Q Now, when Khashoggi talked to you in June about
16 the problems he was having, give me your fullest and most
17 complete recollection of what it was that Khashoggi told you
18 had happened and the nature of the problems he was having.

19 A He told me that he had, you know, bridge financed
20 \$15 million and he had not been paid any money, and he was
21 concerned.

22 Q What did he ask you to do?

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1 A He said just stay on top of Ghorbanifar, find out
2 what's happening, keep me posted, push him.

3 Q And you then went to meet with Ghorbanifar?

4 A I would be, you know, wherever I was waiting for
5 him to call me, or to see him. I mean, I sat in Nice maybe
6 for a week and maybe I talked with him once. He came to see
7 me once, you know. I just was sitting waiting.

8 Q What did Ghorbanifar tell you when you saw him?

9 A Said he was having problems.

10 Q Did he describe the nature of the problems?

11 A No.

12 Q Can't give me any more information than that?

13 A No, he didn't even tell me about the McFarlane
14 trip.

15 MR. GENZMAN: When did you first learn about the
16 McFarlane trip?

17 THE WITNESS: Sometime in July, middle of July. I
18 learned that in Paris.

19 MR. GENZMAN: Who told you at that time?

20 THE WITNESS: It was either Ghorbanifar or one of
21 his Iranians in Paris. I think it was Ghorbanifar. He was
22 upset, under great pressure.

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1 BY MR. KERR:

2 Q Let's try to come at this a couple of different
3 ways. ~~#~~ 8.1 million was paid to Khashoggi by Ghorbanifar
4 apparently in two slices, a 3 million slice and a 5 million
5 slice, and that payment was made on or about July 24, 1986?

6 A Well, the first payment was the 3 million paid in
7 July, and then the 5 million was paid in August, I think.

8 Q Is that what your records show?

9 A That's my understanding.

10 Q Ours suggests that they both got paid on July 24,
11 but it makes no never mind to me.

12 A I know it was two separate payments. That's my
13 understanding of it.

14 Q No disagreement about that. The only disagreement
15 was the dates?

16 A The first payment was 3 million.

17 Q Right. It was your understanding, was it not,
18 that Ghorbanifar had given three checks in the amounts of 1
19 million, 11 million and 6 million to Mr. Khashoggi?

20 A Right.

21 Q What was happening was that when money came into
22 Ghorbanifar's account, it was being allocated against these

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1 checks; correct?

2 A Right.

3 Q And so apparently some European custom allows for
4 partial paydown of checks?

5 A Right. I never heard of it before.

6 Q All right, but you were familiar with the fact,
7 certainly by July, that Khashoggi had three checks totaling
8 \$18 million in his hands; correct?

9 A I think so.

10 Q What was your understanding as to who the
11 beneficiaries of the three checks were, and start with the
12 \$1 million check.

13 A I thought the \$1 million check was Khashoggi.

14 Q The \$11 million check?

15 A I thought it was the lenders of the 10.

16 Q You thought that to be Canadians; correct?

17 A Not at that time, but in September.

18 Q Certainly by September when you talked to
19 Khashoggi, he had attributed the \$10 million to his Canadian
20 lenders; correct?

21 A Correct.

22 Q And the \$6 million was to the other lender;

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1 correct?

2 A Yes.

3 Q Did you ever learn the identity of the other
4 lender?

5 A No.

6 Q Was the nature of the other lender ever
7 characterized to you by nationality, sex, business --

8 A I thought it was Arab, you know, whatever that
9 means.

10 Q But Khashoggi has never identified that lender to
11 you?

12 A No.

13 Q Has he ever suggested to you as it was a member of
14 the Saudi royal family?

15 A No. He has never said anything to me. You see,
16 the way -- when the money came in, they paid off the \$6
17 million first, so that was, you know, never in the
18 conversation. Pay off the 10 was always where the pressure
19 was; to get the money to pay off the 10.

20 Q Now, with regard to the events in July, take me
21 through what happened in July. You had meetings with
22 Khashoggi and others about this debt. Where were the

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1 meetings, what took place, who was present?

2 A Well, in July I was sitting in Nice, okay, from
3 the 1st until the 12th, at a hotel called the Beach Regency,
4 and I may have -- I may have seen Ghorbanifar maybe once or
5 twice in that period of time. I don't know what day he may
6 have come over for lunch. I was just waiting and Khashoggi
7 would call, I would call him, I hadn't heard anything, I
8 would call Ghorbanifar, don't know where he is, don't know
9 what's happening. I was just sitting, waiting, the whole
10 time.

11 Then I was going to see Khashoggi in Geneva on the
12 13th, and then I was told he wasn't coming so I went to
13 Paris. Then Khashoggi did arrive in Geneva and called me up
14 and I said I don't know, I'm trying to find out where
15 Ghorbanifar is. You only know when he calls you or you see
16 him because you never know where he is. Then I was in Paris,
17 you know, from the 15th to the 24th, and I believe I may have
18 seen Ghorbanifar in Paris.

19 I'm not sure that was the time his health was in
20 bad shape, he was under unbelievable pressure because he knew
21 that Khashoggi's checks were worthless that he gave him
22 unless he could get this back on the track. I believe that

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1 it was during this period of time that he went -- I'm told he
2 went to Tehran, then to Damascus, then to Beirut to
3 accelerate or to assist in getting the release of Father
4 Jenco because he knew unless a hostage was out, Khashoggi
5 would get no more money, no more shipment and Khashoggi would
6 be out his money. He was taking medication, high blood
7 pressure, pains -- he was in terrible, terrible shape with
8 the pressure because here, you know, Khashoggi, who he had
9 developed a relationship with, was out \$15 million.

10 Q All right, did you and he discuss anything about
11 the problem? Did he attribute the problem to anything in
12 particular?

13 A Then they got -- then he explained to me about the
14 pricing problems.

15 Q Did that occur in July?

16 A I think maybe it was in July or August. It may
17 have been after the first payment that they had a microfiche
18 on pricing and they checked it out and there were anywhere
19 from, you know, 300 percent to 600 percent inflation on the
20 various items. That was part of the problem.

21 Q Did he attribute the overpricing to any particular
22 motive?

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1 A He made the comment that, you know, some of the
2 funds may have gone to the Contras, [REDACTED]
3 [REDACTED]

4 Q Did he tell you what he based that on?

5 A No.

6 Q Did he tell you who he was dealing with in the
7 U.S. government?

8 A I heard the name North.

9 Q What did he tell you about North?

10 A He was, you know, he only had the highest
11 compliments for him, you know, whenever he talked about him,
12 but other than that, no details.

13 Q Did he give you any further explanation of why he
14 thought money might have been generated out of this
15 transaction that was being used for the Contras [REDACTED]
16 [REDACTED]

17 A No.

18 MR. GENZMAN: Who was giving you this
19 information?

20 THE WITNESS: Ghorbanifar.

21 BY MR. KERR:

22 Q Now, your role at this point was basically to keep

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1 an eye on Ghorbanifar for Khashoggi; is that right?

2 A That's right.

3 Q Were you asked at this time to do anything
4 vis-a-vis the U.S. government yourself?

5 A No.

6 Q Take me through events in which you participated
7 in August relating to this matter.

8 A I was in New York until I guess the 11th, and then
9 I went to Paris and I was there until the 18th, and then I
10 had to go to Oklahoma City. I was there for two days and I
11 came back. Basically, I think Ghorbanifar was desperate
12 because Khashoggi no way is getting his money, and he was
13 doing everything he could to try to get the contract
14 completed.

15 Q All right. Did you meet with Khashoggi and
16 Ghorbanifar while you were in Paris?

17 A I think so, yes. I don't have any dates, but it
18 is my recollection.

19 Q Can you describe for me what was discussed between
20 you and Khashoggi and Ghorbanifar in August in Paris?

21 A I think basically, you know, Ghorbanifar said the
22 problems he has and until he gets it right, Khashoggi isn't

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1 going to get his money.

2 Q Any further discussions of diversion of funds or
3 overcharges?

4 A Yes, I think, you know, it was mentioned that the
5 inflated pricing -- but it was not, you know. The main thing
6 was how could Khashoggi get his money back. How can he get
7 it back on the track.

8 MR. GENZMAN: Did Ghorbanifar specify exactly what
9 the problem was? Did he go into detail?

10 THE WITNESS: Yes. Not at that point, okay?

11 MR. GENZMAN: Not at that point?

12 THE WITNESS: He told me, you know, I don't know,
13 go ahead, but when I went to see Casey in the CIA he said,
14 you know, that 63 parts that were delivered were either
15 defective or next generation or old generation or whatever,
16 and that had a value of \$3 million, and that 299 parts were
17 never delivered which had a value of 7 million one.

18 And that's why Iran didn't pay Ghorbanifar and
19 that's why the checks Khashoggi had deposited never got
20 covered because they prepaid \$15 million and let's say for
21 800 items, whatever the number is, I don't know -- and some
22 of the items delivered were defective or different generation

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1 which didn't fit into their system, but 299 items were never
2 delivered, which were paid for with the \$15 million deposit.

3 So that's when I went to see Casey -- was, you got
4 to complete the contract so Ghorbanifar can be paid by Iran
5 so Khashoggi can get his money, and that is the basis of
6 going to see Casey.

7 BY MR. KERR:

8 Q All right, how frequently were you meeting with
9 Ghorbanifar and Khashoggi in August of '86 regarding this
10 matter?

11 A In August?

12 Q Yes.

13 A Maybe once or twice. I mean, I don't have it
14 down, but I'm just sitting and waiting and waiting and
15 waiting. That's the Middle East game is sit and wait. I
16 would go to have a meeting with somebody and it could be
17 three days before they call you.

18 Q All right, let's move into September. What
19 happened in September? Why don't you run through where you
20 were in September first?

21 A On the 10th, New York, London; then London on the
22 11th. 12th I went to Paris and on the 13th, Paris, London,

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1 back to New York.

2 Q During that period, did you meet with Ghorbanifar
3 and Khashoggi?

4 A I presume so, but I don't have any record, but I
5 presume that I may have saw -- I know Ghorbanifar went to the
6 hospital. I'm not sure when, and it could have been maybe
7 this time he was in the hospital in London, but it could have
8 been another month. I don't know, and I presume I may have
9 saw Khashoggi, but I don't have it down, unfortunately.

10 Q At some point it was suggested to you that you try
11 to get in touch with Casey or you made that suggestion. Tell
12 me how that came about.

13 A I didn't make the suggestion. They knew I knew
14 Casey through Shaheen.

15 Q "They" being both Ghorbanifar and Khashoggi?

16 A Yes. And I think, you know, earlier, they were
17 thinking about that they would need some help in Washington
18 and they had mentioned to me -- Ghorbanifar thought he would
19 maybe get it resolved. And basically, the checks which
20 Khashoggi had were worthless unless the contract was
21 completed and Iran paid money into Ghorbanifar's account so
22 he could get his money. Ghorbanifar said he was cut out of

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1 the transaction. They were dealing with another individual.

2 Q When did that come to your attention?

3 A Maybe it was September or October, you know. It
4 was prior to the meetings, okay, with Casey.

5 Q First meeting was October 7, so it was before
6 that?

7 A Because I was -- in October, I was in London on
8 the 2nd, 3rd, 4th, 5th and the 6th I went to New York and I
9 saw Casey on the 7th.

10 Q Right.

11 A And so the reason for me going was to alert Casey
12 and the government that the contract had not been completed.

13 Q I understand that. Before we get to that, who
14 suggested to you that you see Casey or did you suggest it and
15 what instructions were you given?

16 A Khashoggi asked me to go and see Casey. He told
17 me to tell Casey the situation, which was what I just said,
18 that Ghorbanifar is now cut out. The only way that Khashoggi
19 can get paid is if Ghorbanifar is involved in the completion
20 of the contract so he can get his money with the checks of
21 Ghorbanifar which the bank is holding.

22 Q And what was it that Khashoggi thought Casey could

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1 do under those circumstances?

2 A Well, I think Khashoggi thought that once they had
3 examined that, the contract was not completed, they would
4 complete the contract.

5 Q And why was it Khashoggi thought Casey had
6 anything to do with this transaction?

7 A Well, Khashoggi thought or knew it was an American
8 transaction through his conversations with Nir as well as
9 what Ghorbanifar was telling him.

10 Q This was the first time Nir has come into the
11 picture. What do you know about Khashoggi's relationship
12 with Nir?

13 A I don't know anything.

14 Q Nir is in the U.S. in September of 1986. Were you
15 aware of that?

16 A No, sir.

17 Q And were you ever privy to any of the
18 conversations that Khashoggi had with Nir?

19 A Never.

20 Q What did Khashoggi tell you about Nir or his
21 relationship with Nir?

22 A Nothing.

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1 MR. KERR: Let's take a break for a minute.

2 (Recess.)

3 BY MR. KERR:

4 Q Let's move to October. At Khashoggi's request,
5 you set up a meeting with Mr. Casey for October 7, 1986; is
6 that right?

7 A Yes.

8 Q Did you actually talk to Casey on the phone before
9 that meeting on October 7 or did you simply schedule it
10 through his secretary or what happened?

11 A Through his secretary.

12 Q Through his secretary. So there was no
13 conversation between you and Casey until the time of the
14 meeting; is that correct?

15 A That's correct.

16 Q The meeting took place at the Old Executive Office
17 Building?

18 A Yes.

19 Q Was anybody present besides yourself and
20 Mr. Casey?

21 A No.

22 Q Can you describe for me in as much detail as you

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1 recall what was said between you and Mr. Casey at the October
2 7 meeting?

3 A I said I was there at the request of Mr. Adnan
4 Khashoggi and I said that he had been doing the bridge
5 financing for Ghorbanifar in the transaction involving Iran,
6 and that Mr. Ghorbanifar was now out of the picture. I
7 explained to him the bridge financing mechanism and that
8 Mr. Khashoggi can only be paid if the Americans deliver the
9 rest of the goods, and then Iran will pay Mr. Ghorbanifar
10 into his account and then Khashoggi will be paid. That's
11 basically, you know, what I told him.

12 Q How long did the meeting last?

13 A Maybe half an hour.

14 Q All right, did Casey affect any prior knowledge of
15 this transaction; did he show that he knew about it?

16 A No, he said to me -- I had mentioned that the
17 money was paid into Lake Resources, and he said he never
18 heard of that account. He said I don't think it is one of
19 our accounts. He said this is not my operation. Sounds like
20 it is an Israeli operation. Then I told him that it was
21 being handled by North, and he said, well, I will look into
22 it, and then he got on the phone. He was going to call

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1 Poindexter and have him come over and Poindexter was not
2 there.

3 He knew Ghorbanifar. He recognized Ghorbanifar
4 right away. But as to the transaction, he said it sounds
5 like an Israeli operation. As to Lake Resources, he didn't
6 think it was one of his accounts and he said he would look
7 into it. Then as I left, he said I would appreciate it if
8 you would see one of my guys and give them all the details of
9 everything that you know about it, which I said I would do.

10 Q What did you tell Casey about the Canadians at
11 that first meeting?

12 A I told him that it was in Khashoggi's mind.
13 Khashoggi had financed it through Canadians, which is what I
14 was told, and I told him that Ghorbanifar was thinking about
15 talking to some members of the intelligence committee. I
16 mentioned two names. I mentioned Senator Moynihan and
17 Senator Leahy.

18 Q Now, the story of the Canadians; you were relating
19 what had been told you by Khashoggi?

20 A That's correct.

21 Q What had Khashoggi told you as of that time about
22 the Canadians?

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1 A Khashoggi told me he was under great pressure. He
2 borrowed the money from -- he gave the names Miller and
3 Fraser, and he was under lots of pressure.

4 Q What kind of pressure?

5 A Financial pressure. I learned after, you know,
6 that he put up collateral. I didn't know it at that time and
7 going to -- when I went to another hearing, he told me that
8 in effect, the Canadians had only facilitated the borrowing
9 for him.

10 (Discussion off the record.)

11 BY MR. KERR:

12 Q Let me show you a memorandum that Director Casey
13 prepared, apparently of your meeting. This has previously
14 been marked as Allen Exhibit 74. I would like you to look at
15 it and see if it gives you any further refreshed recollection
16 of what happened at that first meeting you had with
17 Mr. Casey.

18 A Well, I don't think I ever mentioned the loan was
19 repayable in 30 days. I said it was long overdue, and they
20 were putting on lots of pressure on Khashoggi. I didn't say
21 without any collateral. I didn't know, but Khashoggi had
22 borrowed the money so we presumed it to be his signature.

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1 The Lake Resources was in there. I didn't -- he believes the
2 members of the group were talking to Leahy, Cranston and
3 Moynihan. Ghorbanifar was talking about talking to these
4 three. 63 pieces defective and 299 were missing. He has the
5 same.

6 Q Looking at that memorandum, do you have any
7 further or fuller recollection of what was said between you
8 and Casey?

9 A Well, first, the Canadians put in \$10 million, not
10 \$15 million.

11 Q I know what reality is today. Do you think you
12 told him \$10 million on October 7 and he just got it wrong?

13 A I told him \$10 million. That was what was
14 missing. I mean, you know, the thing was that the final
15 message was, the only way to handle this matter was to supply
16 the rest of the equipment. We discussed how you go about it,
17 you know, finalize the contract that's been prepaid for, or
18 if you are not going to deliver, refund the money, and he
19 said he would look into it and get back to me, and --

20 Q All right, did he, in fact, get back to you?

21 A Allen called me for a meeting and I came down, I
22 think, on the 16th.

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1 Q Before the meeting on the 16th did you hear
2 anything from anybody else on this matter?

3 A No.

4 Q Are you familiar with a telephone number, area
5 code [REDACTED]

6 A Right.

7 Q Whose number is that?

8 A Mine.

9 Q Do you have a recollection of having a
10 conversation with Lieutenant Colonel Oliver North on or about
11 the 9th of October regarding this matter?

12 A Never.

13 Q So to the best of your recollection, you and North
14 never talked; is that right?

15 A That's right. In fact -- on what day?

16 Q The 9th of October?

17 A I was in London, but I never talked to him.

18 MR. KERR: Well, let me just mark for reference
19 purposes Exhibit 6. It is an exhibit from the notebooks of
20 Colonel North from October 9, 1986. It is a note that was
21 taken at a luncheon that North had with Director Casey on the
22 9th.

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1 (Exhibit 6 identified.)

2 BY MR. KERR:

3 Q As you note, there's a reference to you and your
4 telephone number, but it is your recollection that you never
5 spoke with Colonel North; is that correct?

6 A I never spoke to him and I was in London on that
7 9th. I never spoke to him.

8 Q At any point in time?

9 A At any point in time.

10 Q All right, with regard to Allen, Allen called you,
11 and what did he ask you to do when he called you?

12 A To set up a date.

13 Q To meet?

14 A To meet. He asked me to come down on, I think it
15 was the 16th, and I came down to Washington to meet in the
16 executive office building.

17 Q All right, and you met Allen and you also dealt
18 with Casey that day; is that right?

19 A Right.

20 Q You met Allen at the Old Executive Office
21 Building?

22 A Correct.

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1 Q And you met Allen without Casey being present?

2 A Correct.

3 Q Let's deal with Allen, then, first. What do you
4 recall happened in the conversation between you and Allen?

5 A I began, you know, going over in detail the bridge
6 financing transaction. I told him that Khashoggi had done
7 this on three previous occasions, and I told him that
8 Ghorbanifar is no longer involved and Khashoggi can't get
9 paid unless they complete the contract. We had a short
10 meeting because Casey was flying up to New York to go to
11 Governor Smith's dinner and asked me if I wanted a ride back
12 and I said yes, so when he was ready to go, that was the end
13 of the meeting.

14 Then they took me to wherever Casey was going and
15 we went to National Airport and his wife was there, and the
16 three of us flew up to New York in a plane and then he went
17 out to Long Island or wherever he was going and I went home.
18 But the meeting with Allen was just beginning to go through
19 the detail; he asked me questions, what I knew, but then the
20 meeting was cut short and he said he would like to meet
21 again.

22 Q Let me review with you some things that Allen

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1 relates as having been told to him by you on October 16.

2 Let's see how it corresponds with your recollection.

3 Allen said that at the meeting on the 16th, you
4 said that the idea of providing Iran with military equipment
5 in exchange for American hostages originated in the summer of
6 1985, and that you, along with Ghorbanifar, traveled to Tel
7 Aviv in August of 1985 where you met with a number of Israeli
8 officials, including Mr. Nir, the Israeli special assistant
9 prime minister for combatting terrorism. Do you recall
10 relating that to Mr. Allen?

11 A No, sir, because I went in June.

12 Q Okay, so there's a transposition of dates, and the
13 actual trip to Tel Aviv was in June of '85?

14 A Right.

15 Q Beyond that, did you meet with Nir?

16 A No, never. No, I met him after the whole thing
17 blew up and after the Tower Report was done. Only time.

18 Q But you did not meet with Nir in the summer of
19 1985?

20 A I did not meet with Nir.

21 Q And you did not tell Mr. Allen that; is that
22 right?

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- 1 A I did not.
- 2 Q Then Allen goes on to say that you said that after
- 3 a number of false starts in late '85 and early '86, Khashoggi
- 4 agreed to finance another arms transaction in May of 1986,
- 5 just prior to Bud McFarlane's secret visit to Tehran. He
- 6 borrowed the money from a number of Canadian financiers. On
- 7 the basis of a signature loan, he borrowed 15 million at 15
- 8 percent, agreeing to pay principal and interest in 30 days.
- 9 Do you recall telling Mr. Allen that?
- 10 A No. I never said he borrowed it for 30 days and I
- 11 never said he borrowed it for whatever that rate was. And I
- 12 don't know where he got the false starts. I had no idea of
- 13 any false starts. I never knew about the November
- 14 transaction.
- 15 Q You were aware, were you not, that Allen was
- 16 making notes while you were meeting with him?
- 17 A He was making some notes, yes.
- 18 Q His handwritten notes correspond to his written
- 19 notes. For example, the Tel Aviv trip is down in his notes
- 20 as August of '85.
- 21 A To be fair to Allen, I have pinpointed the Tel
- 22 Aviv trip now in June. I thought maybe it was in July, you

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1 know, I didn't tell him exactly that it was August. I may
2 have said the summer of '85 because I really had not gone
3 into detail. I was trying to give him as much information as
4 I could so they could have everything that I had.

5 Q With regard to the Canadians, Allen says that you
6 told him at the meeting on the 16th that the Canadian
7 entrepreneurs have investments in oil, gold, mining and real
8 estate; reportedly are aggressive, tough-minded individuals
9 with influential contacts in Washington. They have told
10 Khashoggi that unless some payment on the principal is
11 forthcoming, they will begin to inform individuals like
12 Senators Leahy, Moynihan and Cranston around 15 October about
13 this back channel deal with Iran and how they have been
14 swindled.

15 Furmark stated he was not authorized to state the
16 names of the Canadian investors, asserted that we should not
17 underestimate the determination of the Canadians. Claimed
18 they have a reputation for dealing roughly with those who do
19 not meet their obligations. Khashoggi allegedly is trying to
20 get them to extend the 15 October deadline, was unsure
21 whether he would be successful in this effort. Do you recall
22 relating those things to Mr. Allen?

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1 A I don't know that descriptive, but my
2 understanding was that they were determined to, you know, get
3 the money, and that Adnan was under extreme, extreme
4 pressure, but it was not -- it was Ghorbanifar who was
5 talking about the three senators, not the Canadians, as them
6 being, you know, rough or tough or whatever the language
7 was. They were determined to get their \$10 million back, was
8 my understanding. They were putting tremendous pressure on
9 Mr. Khashoggi.

10 Q And you related that to Mr. Allen?

11 A Yes.

12 Q And basically what you were telling Mr. Allen was
13 that unless the Canadians got satisfied by getting
14 Mr. Khashoggi satisfied, the Canadians were going to bring
15 this thing public?

16 A They were going to sue Khashoggi and therefore
17 Khashoggi would have to, in turn, bring the U.S. government
18 involvement in.

19 Q How were things left with Allen at the conclusion
20 of this?

21 A He was going to call me because he wanted more
22 information, and Casey said, you know, we're leaving and they

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1 collected me and went up to another building where Casey was,
2 and when he came out, went into a car to the airport. Then
3 he called me for another date and he came up to New York.

4 Q With regard to the meeting of October 16, our
5 documentary references to the meeting are Allen Exhibit 78
6 and Exhibit 80.

7 With regard to Casey, you flew to New York with
8 him; is that right?

9 A Right.

10 Q What did you and Casey talk about on that plane
11 ride?

12 A We talked about Ghorbanifar and we talked about
13 comparing this to a commercial transaction. Somebody prepays
14 the money for a thousand items, you only deliver 500; if you
15 can't deliver the whole thing, deliver a partial delivery.
16 And so I was suggesting to Bill Casey that, you know, try to
17 send a small shipment so that Ghorbanifar may be able to take
18 another 5 million to take the pressure off Khashoggi.

19 And he, you know, indicated he would look into it,
20 and he indicated just sit tight, and we talked about
21 Ghorbanifar. He failed the lie detector test, and I said,
22 that may be, but I said, he is the individual who did the

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1 transactions, and he is the individual that got Weir and
2 Jenco out; he set the McFarlane trip up. He's the guy that
3 did these things, and now Khashoggi is in trouble because he
4 can't pay him, and Mr. Casey --

5 Q Give me some sense of the degree to which Casey
6 was indicating to you that he was familiar with this
7 transaction, that he thought the government had a
8 responsibility for the transaction --

9 A No, he did not indicate that the government had
10 any responsibility for the transaction. He indicated that he
11 was working on the problem, and he said, you know, \$10
12 million is a lot of money, and he could understand why
13 Khashoggi, as rich as he is, still \$10 million is a lot of
14 money. And we went back and forth, and he said, just give me
15 some time.

16 And his wife was there and we talked about, you
17 know, Mrs. Shaheen and other people, how my family was, how
18 my business was, what was happening, talking about
19 alternative power, which he was very intrigued with because
20 we discussed it at the first meeting and he thought maybe
21 there was potential in Latin America for lots of cogeneration
22 and he was going to help. So it was, you can only talk so

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1 long about Ghorbanifar and about Khashoggi's money, and then
2 his wife -- it is a small little plane, you know, and he
3 said, you know, just sit tight and --

4 Q Did he give you any notion of how long he wanted
5 you to sit tight or did you tell him how long you thought you
6 could sit tight?

7 A No, he kind of indicated toward the end of the
8 month.

9 Q You thought he thought he could do something for
10 you by the end of the month?

11 A I thought toward the end of the month, maybe. He
12 said, I'm not involved in this but I will see what I can do.

13 Q Did he give you any better notion of who was
14 involved with this thing?

15 A No, other than, you know, at the first meeting I
16 mentioned North, and then he called Poindexter up to have him
17 come over to discuss it. I did not say, well, what happened
18 when you met with Poindexter. I was appreciative that he was
19 seeing me and trying to help me and help Khashoggi out with
20 his problem. He could have just as well, you know, have not
21 seen me or put me off. He's not that kind of a person. He
22 asked how my family is, and it was, you know -- how other

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1 people were.

2 Q After you got off the airplane on the 16th of
3 October, I assume you called Khashoggi and reported in to
4 him?

5 A Probably.

6 Q What did you tell Khashoggi at that point?

7 A I told Khashoggi that it is being worked on and we
8 just got to, you know, do nothing. Keep everybody quiet.
9 Hopefully something can get done.

10 Q At this point, does Khashoggi tell you anything
11 more about the Canadians?

12 A No.

13 Q There's a subsequent meeting with you, Allen and
14 George Cave, correct; that happens about the 22nd of October?

15 A Correct.

16 Q That was a meeting also arranged by Allen?

17 A Yes.

18 Q It happens in New York?

19 A Yes.

20 Q Where does it take place?

21 A I meet them at, I think the Roosevelt Hotel where
22 they are staying, and George Cave was introduced as like

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1 [REDACTED] and some other name, and then we go to Chrysalis, a
2 restaurant on 46th Street not too far away. We have a nice
3 meal, a few drinks and chat and talk, and during that time,
4 in between eating, Charles Allen is taking some notes and it
5 is during that meeting that Cave tells me that he was
6 involved in the logistics, as he says, of the transaction.
7 And it is at that meeting he tells me these are Hawk missiles,
8 which I never knew. We start again and we go through the
9 thing, and basically, you know, the same story is told.

10 We go into the bridge financing, how it is done,
11 getting the post-dated checks, getting -- in the case of
12 February, you get 20 percent to cover financing costs and
13 other expenses, and in the May 15 transaction a total of 18
14 million, which is 20 percent. And that mark-on was,
15 according to Khashoggi, approved by Ghorbanifar and the
16 Iranian government that they could add on that much to cover
17 financing costs because it took in the first transaction,
18 February 10 to April 11, you know, 60 days before that got
19 concluded, and Khashoggi had to induce people to lend money
20 to him, so I don't know what the profit arrangement was, so
21 we went into, at that time, the inflated pricing and --

22 Q What were you told, if anything, by Allen and Cave

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1 on the inflated pricing?

2 A They had no comments.

3 Q They are extracting information from you, but not
4 returning any?

5 A But, I mean, Allen thought, you know, Ghorbanifar
6 did a good job. Cave, they were all complimentary, you know,
7 about Ghorbanifar and what he has been able to do, et cetera,
8 and they didn't go into any details, really, what happened in
9 this, why it didn't get concluded. They knew that
10 Ghorbanifar said so many pieces were not delivered, so
11 therefore you can't get paid. They know all those details,
12 okay. And they asked me what I thought of Ghorbanifar, what
13 else I knew. I told them whatever I knew. I was trying to
14 be helpful, to let them know everything I knew, however small
15 it was.

16 Q Did you get any sense from them as to how or when
17 this problem was going to get resolved?

18 A No. They said they were going to go tomorrow and
19 brief the director, the next day they would brief the
20 director on the meeting, and --

21 Q Okay.

22 A I kind of told the same story each time I met

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1 them, so I'm not sure what more -- they got more detail.

2 They got the precise details of what I knew, okay?

3 Q Do you recall discussing with Mr. Allen and
4 Mr. Cave the Hashemi suggestion that he could deliver
5 American hostages in exchange for his indictment being
6 quashed?

7 A I don't recall. I'm not saying -- did they bring
8 it up or --

9 Q I'm looking at Allen's notes and he says you told
10 him about Hashemi's promise to deliver the hostages if the
11 indictment was lifted and that you told him about Khashoggi
12 and Hashemi parting ways in August of '85 --

13 A Yes, I probably did, because he was asking me did
14 I know whether Ghorbanifar was involved with Hashemi. I
15 think he asked me those questions and I said I really don't
16 think so. As a matter of fact, I feel that Ghorbanifar could
17 not stand Hashemi. I had that feeling.

18 Q All right, now the notes also indicate that you
19 told Allen and Cave that Ghorbanifar believed that the 15
20 million, that \$15 million had gone to Nicaragua. Was the
21 meeting on the 22nd of October the first time when you had
22 raised the diversion issue?

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1 A Yes. When I saw Casey, it was just the general
2 solve the problem because you must remember, in February, we
3 learned later that there was unaccounted-for funds in the
4 February transaction but Khashoggi got paid. And so I was
5 just hoping that once they analyzed that, they had not
6 delivered all the parts and they had defective parts, that
7 somebody would say, yes, let's complete this so Khashoggi can
8 get paid and then we won't have problems with Ghorbanifar.
9 That's what I thought, you know, would have been the result,
10 you know. That would be the perfect result that they would
11 analyze and realize that they had this problem not completing
12 the contract. If somebody else brings it up, maybe they will
13 review it and do it.

14 Q Circling back on Hashemi, apparently you were
15 asked about the sting operation in April of 1986, and
16 according to Allen's notes, you told Allen that Ghorbanifar
17 was not involved in that operation.

18 A To my knowledge. He asked me that question.

19 Q And then there's a reference, something to the
20 effect that you said Hashemi had set up the Israelis with Sam
21 Evans?

22 A What I said was that Hashemi would do anything to

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1 get rid of the indictment that he had, and I don't know
2 whether I used the word "set up," but I said that was his
3 goal in life was to get his indictment, you know, withdrawn.

4 Q Did you have knowledge about what Hashemi had
5 actually done?

6 A No, none whatsoever.

7 Q The reference here that you told them that
8 Ghorbanifar had spent one and a half million of his own money
9 on this project. Did you make that representation?

10 A I think Ghorbanifar said that he was going to have
11 to spend, I'm not sure of the amount, additional monies on
12 the project.

13 Q What knowledge had you had about Ghorbanifar's
14 investment of his own funds? Had he invested funds, to your
15 knowledge?

16 A No, but all I know is he had no money. He was
17 always broke.

18 Q There's also a reference that you told him on the
19 22nd that Mr. Khashoggi had had the Canadians fly out of
20 Europe to meet with him in the last few days. Is that true?

21 A I think that the Canadians were very close to
22 Khashoggi during these crucial days. I don't know whether he

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1 asked him to fly. That I don't recall.

2 Q Did you participate in any meetings with the
3 Canadians?

4 A No.

5 Q What was Khashoggi telling you about them other
6 than the fact they wanted their money?

7 A They were trying to foreclose, you know, on his
8 collateral, which was worth \$35 million or \$25 million, he
9 owed them 10. He would have not only lost the 10, but he
10 would have lost the differential. In fact, I even questioned
11 him how could you have such an agreement whereby they
12 foreclose and take it all?

13 He said, well, that happens a lot, but you know --
14 normally they get the money and the differential goes back to
15 the party who put the collateral up after it had been paid.
16 So I think he was talking about losing not only 10 but the
17 whole collateral, which was about 25 or 30 million.

18 Q There's also a reference towards the conclusion of
19 his notes that you say a leak will occur and that McFarlane,
20 Poindexter and North know everything. Do you recall
21 discussing those items with you?

22 A A leak will occur?

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1 Q Yes.

2 A You know, I don't know whether I actually said a
3 leak will occur because I did not know a leak would occur,
4 and I may have said to him that Poindexter and North knew
5 everything because that's what Ghorbanifar told me. Now I
6 don't know how I could say McFarlane knew everything because,
7 you know --

8 Q There's another reference here that you said a
9 leak would not be good, especially for things south of the
10 border. Do you recall discussing the impact of a leak on
11 Nicaragua or anything else south of the border?

12 A I said "south of the border," I didn't say
13 "Nicaragua"?

14 Q South of the border is in quotes, yes.

15 A You know, I don't recall. I may have said it.

16 Q Okay. I will tell you what. Why don't you take a
17 quick look through Allen's handwritten notes made on the 22nd
18 and read through it, see if it gives you any further
19 recollection of what you would have discussed with Allen and
20 Cave at that meeting.

21 A All right, now, there's no way I would have said
22 "latest deal started April of '86." I didn't know.

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1 Q He is not the only one that says that. Mr. Cave
2 says the same thing as having been discussed by you at that
3 meeting, so isn't it a fact that by this time, you had
4 discussed with Khashoggi what had happened and you knew that
5 this deal had been done in April of '86?

6 A No. I never knew that. He had an April meeting
7 with Amir and Israelis. I never knew about any meeting on
8 the 2nd. I never said anything about the 30-day loan. You
9 get paid after the shipment is made and they inspect it and
10 then they pay it.

11 The first five million, I never knew that. I knew
12 it was one and four and that's what they got paid. I never
13 knew of any markup of a million.

14 Q So what you are saying is that these notes by
15 Allen, which apparently he was taking contemporaneously while
16 talking with you, don't reflect things that you were telling
17 him?

18 A I never knew there was a \$6 million payment in
19 August and September. All I know is a million and a four
20 million, and Khashoggi got paid five million and put up five
21 million. It may be that they knew about it because through
22 their intelligence or what, but I never knew.

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1 Q All I can ask you to do is tell me where these
2 notes differ from your recollection of what you and Allen
3 were talking about.

4 A It says "stayed at Nimrodi's house." We stayed at
5 the hotel.

6 Q Cave makes the same reference that you stayed at
7 Nimrodi's house, but that's not what you recall having told
8 them; correct?

9 A I may have been visiting his house in the daytime,
10 but they took us to the Hilton Hotel and we stayed there.

11 Q Okay.

12 A First flight to point Tango.

13 Q That would be Tehran.

14 A That may be their code name. It is hard to read
15 everything that clearly.

16 I told them all about Hashemi because they asked.
17 This says "believed the 15 million went to Nicaragua." I
18 think what I said was that Gorba thought a substantial part
19 of that went. I never said 15 million. Then there would be
20 no money for whatever the transaction was. Gorba would not
21 return Hashemi's calls. I was told that. That would have
22 nothing to do with -- I mentioned, I think, Hashemi's brother

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1 was in Danbury prison. I may have. I don't think I said
2 Hashemi set up the Israelis. That could have been the case,
3 because I don't know.

4 I see Delta is Damascus, I guess, and point Bravo
5 is --

6 Q Beirut. Point Bravo?

7 A Bravo?

8 Yes, I don't know what this is, I guess "pressure
9 on Gorba" -- I don't know what that last word is. I guess it
10 means until he gets it done.

11 Q I think it is supposed to be unbelievable.

12 A Okay. They tried to get him out [REDACTED]

13 [REDACTED] Okay, yes, somebody
14 called the PM's office and said we're not delivering because
15 the minimum hasn't been paid, and that hurt Ghorbanifar,
16 according to him, with the HM when they had already paid in-
17 advance.

18 Q This would be the Iranian prime minister?

19 A Yes. He was in the hospital, okay? When I saw
20 Bill on the plane --

21 Q Mr. Casey?

22 A Yes, Bill Casey. Ghorbanifar told me that the

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1 Iranians were planning more kidnappings or they were planning
2 some activity. I don't think I used the word "kidnappings,"
3 and some factions were going to do that. I told Bill on the
4 plane, I'm just telling you what I heard.

5 Khashoggi was saying, you can't do anything,
6 kidnappings, you know. In fact, it says the condition that
7 he is involved that they do nothing to anybody, not only
8 Americans, but nobody. It says "Roy's concept," "G" is
9 "agency." Ghorbanifar? CIA?

10 Q I don't know. It doesn't correspond to your
11 recollection. That's what I'm trying to find out.

12 A I was saying, you know, he released the two
13 hostages, he received Bud in his elevation. Had they picked
14 up Reed in Cicippio?

15 Q As of that date? I believe so.

16 A I know Ghorbanifar said it is people who are in
17 the business -- it is not his people, just trying to get
18 money. Some of this I don't understand, but basically, it is
19 a lot of things that we discussed. Ghorbanifar used to call
20 Nir Adams. Really it was Tel Aviv, Adams was calling Tel
21 Aviv.

22 Now, solution to the pricing problem, two

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1 shipments of TOWs, 500 TOWs and Zebras. I never heard of
2 it. What I may have said was that they had agreed that, yes,
3 it was overpriced and so we'll send 500 TOWs, I think, to
4 offset the pricing problem. And that was what I had been
5 told, but I never heard of Zebras and two shipments and 500
6 TOWs and stuff like that.

7 Q Well, on that score, Cave indicates that your
8 suggested solution to the problem was to let Ghorbanifar
9 handle the shipment of the remainder of the Hawk spare parts,
10 that the proceeds from that would allow him to take care of
11 the Canadian pressure, and that there would then be a
12 shipment of 500 TOWs for one hostage and another shipment for
13 the second hostage. Do you recall proposing that?

14 A Never said it at all. Our solution was just to
15 complete this contract and if you want to work with somebody
16 else, Ghorbanifar is finished, but just complete the
17 contract. The thought of my solution was that we'll give
18 hostages for shipments, you know --

19 Q You were not proposing that?

20 A No. I wasn't proposing anything other than to
21 make partial shipment or refund the money or whatever, but I
22 was -- in no way did I do what you said. They would make a

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1 partial shipment, Gorba said he could get another 5 million
2 out, then there would only be 5 million they had to collect
3 and it would take a lot of pressure off. Canadians believe
4 money has been stolen. That they have been -- I can't read
5 the word.

6 Q "Swindled"? Is that the word?

7 A Maybe that's it. Now he has this thing under
8 Ledeen. Roy met once or twice; leaks would not be good
9 especially with anything south of the border. This thing
10 with Ledeen I can't understand.

11 Q You can't relate to that comment?

12 A We've always said we wanted to make money after
13 peace was in the area. That was the whole reason to show the
14 support for Khashoggi supporting Ghorbanifar.

15 Somebody's [REDACTED]

16 Q Look like [REDACTED] 50 million. Does
17 that mean anything to you at all?

18 A No.

19 Q Okay.

20 A [REDACTED] Who is [REDACTED]

21 Q The [REDACTED] I know [REDACTED] but --

22 A We covered lots of it, either at that meeting or

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1 at the first meeting.

2 Q Well, these notes were taken by Allen during the
3 course of the meeting on the 22nd of October. You have told
4 me the things that don't square with your recollection. Does
5 looking at these notes give you any further recollection of
6 what you discussed with him at that meeting?

7 A No, I think, you know, we were eating and talking
8 and eating and drinking and talking, and they would ask me
9 questions and I would give them, you know, whatever reaction
10 I had or what I had heard or whatever to try to get them as
11 much input into, you know, the situation.

12 Q Our documentary references to the October 22
13 meeting are Allen Exhibits 81 and 82.

14 THE WITNESS: Can we take a break?

15 MR. KERR: Sure.

16 (Recess.)

17 THE WITNESS: I want to comment with reference to
18 the notes that he may have just picked a few words out where
19 I said this could be a possibility or this or that, you
20 know.

21 MR. KERR: Sure. I understand.
22

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1 BY MR. KERR:

2 Q Now, after the meeting on the 22nd, apparently you
3 called Mr. Allen on the 5th of November and asked him for a
4 meeting on an urgent basis. Do you recall doing that?

5 A I said I want to talk with him on the phone. He
6 said, don't talk on the phone. Come and see me.

7 Q What prompted the call? Why were you calling?

8 A I think Ghorbanifar told me that Secord is deeply
9 involved in this thing. -- I'm trying to think. I think
10 that was -- that Secord was involved; this was the 7th?

11 Q The 6th, I think, is when the meeting actually
12 took place.

13 A I met him at a hotel.

14 Q Right.

15 A I had a sandwich. I think that's the first time I
16 brought Secord's name up because I didn't know about it until
17 then. Let me just see. On the 7th --

18 Q Let me run through what Allen says. He says you
19 called him on the 5th to request an urgent meeting in
20 Washington; that you then met with him on the afternoon of
21 the 6th at the Key Bridge Marriott Hotel. Does that refresh
22 your recollection?

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1 A Yes.

2 Q All right, in terms again, what caused you to make
3 that call? What had happened? Had Khashoggi said you have
4 to do something? Why was it urgent for you to meet with
5 Allen?

6 A I'm not sure. I'm just trying to think. Is that
7 the day when I gave him the Ghorbanifar's bank account
8 number?

9 Q Yes.

10 A He asked me to get the number, and I got the
11 number from Ghorbanifar, and he said, don't talk on the
12 phone, come down. So that's when I gave him the number and
13 that's when I told him that I learned from Ghorbanifar that
14 Secord is deeply involved in this transaction. I think at
15 that meeting, you know, I disclosed the names of Fraser and
16 Miller to him.

17 Q Right.

18 A I don't think I called him that urgent. I think I
19 told him I have the Ghorbanifar number and he said, let's
20 don't talk on the phone, come down, and that's why I went
21 down, and then we probably rehashed the whole thing again
22 about the pressure that Khashoggi was under. Talking about

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1 retaining lawyers, I think, getting a lawyer in Washington.

2 Q His notes reflect the following?

3 A I did not know the name of who Adnan was talking
4 to as far as legal counsel.

5 Q The first item mentioned in Allen's notes of the
6 conversation with you, something to the effect that unless
7 payment is made, Canadians retaining law firm that handled
8 case involving President Nixon have given Roy until Monday or
9 will file suit. Do you recall making that representation to
10 Mr. Allen?

11 A Well, I don't think that is clear. I think Adnan
12 said they were going to retain lawyers, and you know,
13 proceed. He was under unbelievable pressure.

14 Q Do you recall identifying the law firm?

15 A I did not know the law firm.

16 Q Do you recall telling him it was a law firm that
17 had a connection with President Nixon?

18 A Well, the only law firm that I know of with Nixon
19 is Mudge, Rose in New York, you know, and that name --

20 Q With regard to other things that he -- in the
21 notes he said you said you weren't certain against whom the
22 suit would be filed.

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1 A It would be against Khashoggi and Khashoggi would
2 have to in turn sue -- you know, bring somebody else into it,
3 whether it was Lake Resources, the government, somebody who
4 had the money, and there's a question of who, you know.
5 First of all, you can't just sue the government. You have to
6 get permission to sue the government, is my understanding.

7 Q With regard to this lawsuit, who told you that the
8 lawsuit was going to be filed?

9 A Mr. Khashoggi.

10 Q What did Khashoggi tell you in that regard?

11 A He said that they were going to retain Washington
12 counsel.

13 Q You say "they." Talking about Fraser and Miller?

14 A The lenders.

15 Q Well, you identified the lenders in this
16 conversation as Fraser and Miller.

17 A Right.

18 Q Were you telling Allen that Fraser and Miller had
19 retained counsel and were about to file suit?

20 A Khashoggi said they were going to retain counsel
21 in Washington to begin proceedings.

22 Q All right. Now, Allen in his notes says that you

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1 gave the following direction, and it appears that you were
2 suggesting that the United States pay \$10 million into
3 Ghorbanifar's account at Credit Swiss at account number
4 [REDACTED] main branch Geneva, care of the name of a
5 banker. Do you recall giving that suggestion to Mr. Allen?

6 A I gave him the number because he asked me to get
7 the number and I got it from Ghorbanifar and gave it to him,
8 but in my own mind, I never dreamed that they would ever
9 refund any money. The way to do it is to complete the
10 shipment.

11 Q Do you recall making a demand or a suggestion to
12 Allen that the United States put \$10 million into this
13 account?

14 A I said if you are not going to do it, maybe you
15 are going to refund the money, but he asked for the account
16 number I got it for him; he said he needed it. I did not
17 demand that he put the money in. I gave him the account
18 number because he requested it. He didn't have it from his
19 intelligence and if they were going to do anything for him,
20 they needed an account number.

21 Q There's a fairly elaborate description of how
22 Ghorbanifar's account had been attached by the Canadians. Do

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1 you recall going through that description?
2 A That his account had been attached?
3 Q Who gave you that information?
4 A Mr. Ghorbanifar.
5 Q He told you that the account had been attached by
6 the Canadians?
7 A Yes.
8 Q And he is talking about the same Canadians, Fraser
9 and Miller?
10 A Yes. The Canadians, yes.
11 Q So you had had a conversation with Ghorbanifar
12 about the Canadians?
13 A Yes. He told me that his account has been
14 attached, I think, by whatever it was, the Canadians.
15 Q All right, when you did have this conversation
16 with Ghorbanifar?
17 A Probably on the telephone. I may have been with
18 him. I don't show going anyplace in November other than the
19 16th I went to Aruba, down to the Caribbean, and last time I
20 was in London looks like it was the 11th, according to this
21 here, so maybe it was on the telephone or maybe he had told
22 me -- he said his account had been blocked or they have done

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1 something, they have blocked his account, attached his
2 account. The exact language I'm not sure, but his account
3 was frozen in effect.

4 Q All right, apparently during the course of this
5 conversation, you told Allen that you had been led to believe
6 that Director Casey was going to clean this matter up by
7 early November. Do you recall relating that to him?

8 A I don't know whether it was in those exact terms,
9 but Casey was trying to help us and he told us, you know, sit
10 tight until the end of -- until November.

11 Q And this was now November and you wanted some
12 action, I take it.

13 A Well, we wanted to know what was happening, you
14 know.

15 Q Do you recall characterizing Mr. Miller to
16 Mr. Allen as being real sleazy and corrupt?

17 A No. I said that they are tough lenders and they
18 want their money, but "sleazy" is not a word in my
19 vocabulary. I don't use it, I don't think I use it because I
20 had only met Miller once, and that was in the lobby of a
21 hotel.

22 Q Do you recall discussing the swami, the California

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1 swami, with Mr. Allen?

2 A Yes.

3 Q What do you recall in that regard?

4 A I was asked the question about the swami and I
5 told him that I think that Miller was an adherent to the
6 swami's religion.

7 Q Let me show you Mr. Allen's handwritten notes of
8 the meeting on the 6th of November. Let's go off the record
9 to give you a chance to review them and we'll see if they
10 give you any further recollection of your conversation with
11 Mr. Allen.

12 (Discussion off the record.)

13 BY MR. KERR:

14 Q You've had a chance to review Mr. Allen's notes of
15 the meeting on November 6. During the course of that review
16 two items came up. There's a reference to the Bank of
17 Montreal being the bank of the two Canadians, and the bank
18 which had attached in some fashion or another
19 Mr. Ghorbanifar's account in Switzerland. From your
20 comments, I take it that you do not have any recollection of
21 having mentioned the Bank of Montreal to Mr. Allen?

22 A I don't recall the Bank of Montreal. I don't

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1 think any bank was ever mentioned.

2 Q The other item that you raised was the item
3 related to General Secord. Mr. Allen's notes make reference
4 to Mr. Secord as being involved in the financing of these
5 transactions with North and you said that would not have been
6 a comment that you made; is that correct?

7 A I was told Secord was deeply involved. I didn't
8 know that he was involved in the financing. I didn't know
9 what his real role was. I knew he was involved.

10 Q Who had told you that Secord was involved?

11 A Mr. Ghorbanifar.

12 Q Do you remember what more he told you in that
13 regard?

14 A No, I think that's all he said because I think he
15 knew that by mentioning the name, it was enough for the
16 people involved.

17 Q Coming back to the \$10 million, there's a
18 reference to pay \$10 million in these notes, and Mr. Allen's
19 typewritten summary of the notes says that you said that
20 somehow \$10 million should be paid into Ghorbanifar's account
21 at Credit Swiss and gives the account number. So we're
22 clear, were you or were you not telling Mr. Allen that to

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1 avoid publicity resulting from a suit to be filed by the
2 Canadians, arrangements should be made to pay \$10 million
3 into Ghorbanifar's account?

4 A No, I never said that. The reason we have the
5 account number is because Mr. Allen asked if I could get it.

6 Q Why would Mr. Allen want the account number?

7 A He just wanted to know Ghorbanifar's account and I
8 spoke to Ghorbanifar and he gave me the account number.

9 Q You don't recall Allen telling you any other
10 reason why he wanted that account number?

11 A He just felt he needed it for his intelligence.
12 He asked for it. I said, sure, I will try to get it for
13 you. I called and Ghorbanifar gave it to me.

14 Q You do not have a recollection of telling Allen on
15 the 6th of November that in essence, time had run out, the
16 case would be going public by the next week or so when the
17 Canadians were going to file suit and the only way to avoid
18 this operation being exposed to the public was a payment into
19 Ghorbanifar's account of \$10 million?

20 A No. If anything, I told him, you know, the way to
21 do it is to make a partial shipment, you know, deliver on the
22 contract. I never told him to pay money. He asked for the

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1 account. It is not for me to tell Allen or anybody what to
2 do. I can only make suggestions. The alternative that they
3 have is to complete the contract or make another partial
4 shipment and make a settlement, you know, but --

5 Q All right, are there any other items in those
6 notes which are at odds with your recollection of what you
7 would have told Allen?

8 A Well, he has a few words, okay, and I don't
9 understand a lot of his handwriting, and I don't know, you
10 know, I can go through it --

11 Q I'm really looking for those things of
12 significance that strike your eye. If there's anything there
13 that you can say, I didn't say that or, you know, I don't
14 recall saying that. That's what I'm looking for. I'm trying
15 to find out if this memorandum is basically an accurate
16 reflection of what you and he discussed at that meeting?

17 A I don't know what the L.A. Times thing says. Knew
18 three or four weeks. I don't know what that is?

19 A You don't remember anything about a story in the
20 Los Angeles Times or conversations that you were having with
21 the L.A. Times at this point?

22 A This is --

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- 1 Q November 6, 1986.
- 2 A This is three or four weeks ago.
- 3 Q That would have been early October 1986?
- 4 A And in reference to what?
- 5 Q I don't know. I wasn't at the meeting.
- 6 A Certainly nothing to do with this. This was still
- 7 very private. How did the L.A. Times know?
- 8 Q I don't know. Did you have any knowledge of the
- 9 L.A. Times being onto this story as of October of 1986?
- 10 A I think the L.A. Times may have been onto a story
- 11 regarding Hashemi and they may have come to me and asked me
- 12 some questions about it. That may have been it, but as far
- 13 as them knowing about this, I don't think anybody -- that
- 14 would be October 7.
- 15 Q Mid-October.
- 16 A I think at this meeting, you know, he was asking
- 17 who would be sued. I said I don't know, the lawyers will
- 18 determine that, but if Khashoggi gets sued he would have to
- 19 bring in Lakeside and whoever else, whether it be the U.S.
- 20 government or somebody, you know. His view was that Nir
- 21 always paid into this account; it is a U.S. government
- 22 account. It was in his mind this was a U.S. government

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1 account.

2 Q What Nir said was what Khashoggi told you he said?

3 A In here, when you say "Canadians," this is
4 conversations with Khashoggi because I did not talk to the
5 Canadians, so he, rather than -- he is using Canadians where
6 I may have said Khashoggi said this, that the Canadians would
7 do this, so he has eliminated and put a few words in it.

8 Q I have no problem with that. These are his notes
9 for purposes of writing a memorandum. I'm putting them in
10 front of you to see if I can either refresh your recollection
11 or find out where your recollection differs from his notes.

12 A It says "G told Canadians this last week." I
13 don't know, I just don't know what it means. It says
14 "Nice." Maybe Nice was in Ghorbanifar when he spoke to me.

15 Q Ghorbanifar was in Nice?

16 A Maybe. I don't know. Well, it was always the
17 Canadians were going to sue Mr. Khashoggi. Mr. Khashoggi,
18 then, to defend himself, would have to bring in Lake
19 Resources and the appropriate parties, and that would be
20 determined by lawyers. I don't know what -- [REDACTED] issue,
21 I just don't know.

22 Q You don't recall talking to him about the fact

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1 that once Secord's name came up it would expose the
2 Nicaraguan efforts of the administration at the same time the
3 Iran initiative is exposed?

4 A I really don't recall because I didn't know much
5 about Secord at all until I saw the hearings, and his role
6 was not given to me until Ghorbanifar told me just before
7 going down.

8 Q All right, let's not spend any more time on this
9 unless there's something that either refreshes your
10 recollection or is other than your recollection.

11 To make sure we have it covered in the record, the
12 documents we have of the meeting on November 6 are Allen
13 Exhibit 83 and Exhibit 84.

14 As of November 6, 1986, had you had any
15 conversations regarding the Khashoggi money problem with
16 Michael Ledeen?

17 A I think I chatted with him once when I was in
18 London and he was in Paris for a minute on the phone. He was
19 at somebody's house.

20 Q This would be in October --

21 A I don't recall.

22 Q Do you recall the nature of the conversation?

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1 A No. It was just I was talking with somebody else
2 and he got on the phone for, you know, 30 seconds.

3 Q Do you have a recollection of Ledeen talking to
4 you in this period of time and suggesting to you that these
5 problems were going to be worked out and you and
6 Mr. Khashoggi ought to sit tight for a while?

7 A No. I don't think anything like that. It was,
8 you know, 10 seconds. It was a very quick conversation, and
9 he said, Mr. Ledeen wants to say hello to you when I called
10 and that was it. I don't recall what he said.

11 Q As of this period of time, had you had occasion to
12 be with Ledeen again? Had you had dinner with him or done
13 business with him?

14 A No.

15 Q After the meeting with Allen on the 6th of
16 November, what was the next involvement that you had relating
17 to this matter?

18 A Well, I think -- on, like, November 22 or 23 --

19 Q How about the 24th?

20 A Or 21st, okay, there was in the newspaper an
21 announcement by the CIA that they had been paid \$12.2 million
22 in the Iran transaction. So on Monday morning, I called

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1 Mr. Casey up, Bill Casey up, and I said, Bill, your numbers
2 are all wrong. You were paid a lot more than that and he was
3 all shook up. What do you mean, he said, can I please come
4 and see him and bring the information that I have. So he
5 said, come down late in the afternoon; so I went down, went
6 to Langley. I don't know, I got there maybe 5:00.

7 Q This would be on the 24th?

8 A 24th of November.

9 Q Right.

10 A And we then went through the dates Khashoggi put
11 his money in and the dates he got paid.

12 Q "He" being the CIA?

13 A Yes, and like on February 10, Khashoggi paid \$10.
14 million and he then was paid on the 11th \$3,250,000 or
15 whatever it was and on May 15 Khashoggi put \$15 million in,
16 and on May 16 he got paid \$6,250,000, and there was
17 unaccounted a difference of \$15 million, and it was at that
18 point for the first time I knew there was an unaccounted
19 difference, and as of that point I said Ghorbanifar thinks
20 some of this unaccounted-for difference has gone to the
21 Contras.

22 Q You had already told Allen and Cave that?

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1 A But in the first meeting with Casey, it was just a
2 general -- what the problem is and hope I can help Khashoggi
3 to get it resolved, but it was on the 24th is when after
4 calling and saying listen, your numbers are all wrong, you
5 were paid a hell of a lot more than that; and he said what do
6 you mean, are you sure, and I said yes, so I said can I
7 please come down with the information I have?

8 We went through the dates of Khashoggi's payment
9 and the dates he got his money, and Khashoggi paid \$25
10 million, and he got \$10 million, so there was a difference of
11 \$15 million, and he said he doesn't know what the money is
12 whatsoever or anything like that. It was at that point in
13 time and he got his papers, to double-check everything, and
14 to see the press release or whatever they sent out, and it
15 was at that point in time he tried to call Don Regan; and Don
16 Regan wasn't there, and then he called North on the phone and
17 said, there's a guy here says you owe him \$10 million, and
18 North said tell the man that the Iranians or the Israelis owe
19 them the money. Then he called somebody at CIA archives or
20 something, to find out what he has on Lake Resources, the
21 account, and the response was to me that it came into our
22 system from Furmark. We got the name in the system, and then

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1 he talked for a while to Cooper at Justice.

2 Q What did he talk to Cooper about?

3 A About Lake Resources, and then when it was over he
4 said, would you like to talk to Meese about the money? I
5 said Bill, you are the government. Here's the problem.
6 Khashoggi is owed the money and I'm dealing with you. You
7 are the government, and someone has to resolve the problem
8 for Khashoggi. He believes that the government was involved
9 in the transaction. He was led to believe that, and the
10 meeting was over basically.

11 Q What did Casey say he was going to do about it,
12 though?

13 A He didn't say anything. I said, you know, you
14 have the problem. You know the problem. So then of course
15 he got money, 2.2 like the end of October or November for the
16 second channel's business, so the 10 of the 12 he announced
17 was from Khashoggi and the 2 was from the second guy, so he
18 could see where Khashoggi paid 15 and 10 or 25, he got 10,
19 left 15 unaccounted, and we did say maybe there's some
20 transportation costs, but not 15 million, he agreed; but he
21 said, Roy, I don't know where the money is. I don't know
22 what's happened to it. That was it. Then of course I went

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1 home and next morning I saw it on television that the
2 president and Meese had made an announcement.

3 Q About the diversion?

4 A About the diversion, yes.

5 Q You had a series of telephone conversations with
6 Casey after the 24th, did you not?

7 A I had one where he told me there was only \$30,000
8 in the account.

9 Q When was that?

10 A I don't recall.

11 Q Couple of days after the 24th?

12 A It was a couple days after that.

13 Q He called you or you called him or what happened?

14 A I think I had called him, because I had been
15 subpoenaed, and I said I have been subpoenaed, so he said you
16 just follow us, you know, in this thing and then by the way,
17 there's only \$30,000 in the account. I'm not sure it was
18 that conversation, but --

19 Q Did he say how he learned about the \$30,000 in the
20 account?

21 A No, I didn't ask him. He just said there's only
22 \$30,000 in the account.

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1 Q How many other conversations did you have with
2 Casey after the 24th?

3 A He called me once to get the name of -- called me
4 at home to get the name of the German company which has its
5 technology for cogeneration for atmospheric fluidized
6 combustion burning, and he may have called me one time to --
7 or maybe it was the same conversation, the president was
8 making a statement.

9 Q Anything further said in those conversations about
10 the money problem?

11 A No. It was just, you know, very short.

12 Q Did you have any other occasions to meet with or
13 talk to Mr. Casey before his death?

14 A No, I don't think so. The last time I saw him was
15 on the 24th. Other than these telephone conversations, I did
16 not go and see him.

17 Q Did you have any further conversations or meetings
18 with anybody else from the CIA?

19 A Allen called me. I think it was in '86.

20 Q '86 or '87?

21 A '87, I'm sorry, and I was up in Nova Scotia, in
22 Nova Scotia seeing some people, and I returned the call and

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1 he said one of the CIA overseers or whatever the boarders
2 that oversees it wanted to talk to me, so he wanted to let me
3 know that he was going to call me; and I said I would be
4 happy to talk with them. He said they want to know about
5 your dealings with the CIA. But I never got a call from that
6 person.

7 Q You never got a call from that person or entity?

8 A No. When talking with Allen, I commented on the
9 Senate intelligence report, which quotes me as saying that
10 the ~~known~~^{notes} went to Nir, you know, and he said he wondered
11 where that came from. He said he gave the notes to Cave
12 because he ^{had} to go on a trip and Cave did the report, but he
13 said he doesn't remember that, you know, in the meeting on
14 the 22nd, and that was all. I think someone has been in the
15 hospital or something, and that was the end of the
16 conversation and I haven't heard from him since, and I
17 haven't called him and no one from the overseer board
18 contacted me.

19 Q Any other contacts with CIA personnel?

20 A No.

21 Q Now, in December 1986, you met with Khashoggi to
22 review the financial transactions in order to help you

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1 prepare for your testimony before the House Intelligence
2 Committee. Do you recall that meeting?

3 A Yes.

4 Q What did you review with Khashoggi at that time?

5 A Well, I had been to the Senate beforehand.

6 Q Right.

7 A The Canadian ambassador wanted to see me, and I
8 was going down to see the House Intelligence Committee, and
9 so I said, I told him I said I will come and see you when I
10 am finished, so I told Khashoggi I'm going down to see the
11 Canadian ambassador. You have to tell me about the role of
12 the Canadians, exactly what it is, and he then told me that
13 whereas with the Senate intelligence, we talked about the
14 Canadian investors, when I went to the House intelligence, I
15 stated what Khashoggi had just told me the day before or two
16 days before or whatever, that the Canadians had facilitated
17 the loan for him through a Cayman Island financial
18 institution without giving me the name of the institution,
19 and that Miller and Fraser were working with him, they had
20 facilitated the loan, which he had put up collateral of a
21 company which had shares in Barrick and Burke, and the
22 collateral was worth 25 million when it was put up and now it

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1 was worth about 35 million. That's what I told the House and
2 the Canadian ambassador.

3 Q When you used the word "facilitate," what did you
4 understand that to mean?

5 A Help arrange, you know, arrange for the loan, do
6 the paperwork, whatever. Facilitate. Get the loan for him.
7 That's the word he used, facilitate.

8 Q It was or was not your understanding that they had
9 utilized monies under their control to make this loan?

10 A He just said that they facilitated the loan. Then
11 later, okay, he said that they were handling money for a
12 Saudi group, which that money was used for this loan.

13 Q Later being when?

14 A In '87.

15 Q When in '87?

16 A You know, about the time of the article in the New
17 York Times.

18 Q That would be February of '87?

19 A Is that the date? Yes.

20 Q And give me a little more detail, what did he tell
21 you at that point about the Canadian -- Fraser and Miller
22 were doing what?

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1 A They were working for or they controlled money or
2 did something for a Saudi group of friends of his. It was
3 that money which was the money that was used.

4 Q That money being the \$10 million?

5 A Right.

6 Q All right. Did he give you any indication of what
7 entity had actually put up the money?

8 A No.

9 Q And you continued to understand that the
10 collateral for the loan was the Barrick equity?

11 A It was Barrick, but through another company. I
12 forget the name of the company.

13 Q I understand.

14 You met Mr. Fraser for the first time in March of
15 1987?

16 A In Paris, yes.

17 Q What were the circumstances that caused you to
18 meet Fraser?

19 A I was at Khashoggi's apartment, and he was there
20 having a meeting, and I was introduced to him and I said two
21 words to him.

22 Q You didn't have a chance to chat with him?

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1 A No.

2 Q How about Mr. Miller?

3 A I met him a few times at Khashoggi's apartment.

4 Q Have you had any discussions with him about his

5 role in these transactions?

6 A No.

7 Q None?

8 A No.

9 Q Did anyone --

10 A He has always asked me, okay, where did I get his

11 name from, and I said, Mr. Khashoggi. Who authorized, you

12 know, for me to use Miller and Fraser's name, and I told

13 him. He has asked me that a few times.

14 Q All right, I think we're almost done. Let me pick

15 up a couple other things.

16 A The collateral he put up was in another company

17 that owned shares of Barrick.

18 (Discussion off the record.)

19 BY MR. KERR:

20 Q An article appeared March 10, 1987, out of Paris

21 by the New York Times of an interview that you and

22 Mr. Khashoggi gave to a New York Times reporter. Do you

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1 recall that interview?

2 A I didn't give an interview.

3 Q Were you present when the interview was given?

4 A Yes.

5 Q And you did make comment from time to time to the
6 reporter?

7 A No.

8 Q You just sat there?

9 A It was not for me to make any comments to what
10 Mr. Khashoggi was saying.

11 (Discussion off the record.)

12 BY MR. KERR:

13 Q Let me ask you some things that supposedly
14 happened during the course of that interview. The article
15 says Mr. Khashoggi said at the interview that he masterminded
16 a deliberate deception of Mr. Casey last fall when Mr. Casey
17 was still head of the CIA, by inventing a group of angry
18 Canadian investors who were supposedly threatening to
19 disclose the administration's secret arms sales to Iran
20 unless they were immediately reimbursed for a \$10 million
21 contribution to a \$15 million arms sale to Iran last May.
22 Did Mr. Khashoggi make that statement at the interview?

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1 A I think Mr. Khashoggi said that the Canadians were
2 not the investors but that a Saudi friend, it was his money
3 that was used through the Canadians.

4 Q Did Khashoggi tell the reporter that Mr. Casey had
5 been deliberately misled?

6 A I don't recall those words.

7 Q Did Mr. Khashoggi tell the reporter that there
8 were in fact no Canadian investors?

9 A I think he said it was -- that they were not
10 investors, it was his Saudi friend whose money was used, but
11 they were used through the Canadians.

12 Q All right, so your understanding of what was being
13 told to the reporter is the Canadians were in fact involved?

14 A Right.

15 Q But in the capacity of being --

16 A Facilitators.

17 Q Facilitators and managers of the money of this
18 Saudi investor. Who was the Saudi investor?

19 A I don't know.

20 Q You have never been told?

21 A Never been told.

22 Q Now the interview, according to the newspaper, was

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1 set up by you.

2 A Well, Safire, who I know from, you know, John
3 Shaheen days and Bill Casey days, had called and wanted to
4 have an interview with Khashoggi, and Khashoggi said sure,
5 have him come over, and he arrived and Adnan met him.

6 Q You were there?

7 A Yes.

8 Q The thrust of the story is that Khashoggi had
9 engaged in a scam, a deception, crudely put, a blackmail
10 attempt using you on Casey. Was that the story that
11 Khashoggi was trying to put out at that time?

12 A I don't believe that when I went to see Casey that
13 what he was telling me was nothing but the truth, because he
14 was under unbelievable pressure. The Canadians, you know,
15 had the collateral and they were, you know, trying to get
16 paid; whether they were acting on behalf of somebody, I only
17 learned that when I went to visit the Canadian ambassador.
18 Now I have learned that it was a Saudi, the source was from a
19 Saudi friend of his through the Canadians.

20 Q Is it your understanding today that Mr. Khashoggi
21 had indeed been threatened with a lawsuit by these Canadian
22 investors in October, November of 1986?

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1 A I believe that. I believe that he was under great
2 pressure.

3 Q No, I'm not talking pressure. Had a lawsuit been
4 threatened?

5 A He told me.

6 Q Does that continue to be his story?

7 A He has -- his position today is that with all of
8 the hearings going on, that the truth will come out and that
9 he will get his money back.

10 Q Okay --

11 A And he has I think since refinanced the \$10
12 million loan. I'm not sure if he has done it completely or
13 partially or what, but the pressure is off.

14 Q We have deposed Mr. Fraser. He denies any
15 involvement whatsoever with a loan related to the Iran arms
16 transaction. The only basis you have for believing
17 Mr. Fraser to be involved, I take it, is what Mr. Khashoggi
18 has told you; is that correct?

19 A Yes.

20 Q You have no independent knowledge of that?

21 A No independent knowledge. Other than I think
22 Ghorbanifar knew about their involvement.

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- 1 Q And related their involvement to you?
- 2 A Yes I think so, yes. I mean --
- 3 Q Ghorbanifar's knowledge in all likelihood is based
- 4 on what Khashoggi told him; right?
- 5 A Somebody froze the account.
- 6 Q He told you that somebody froze his account; is
- 7 that right?
- 8 A Yes.
- 9 Q He told you the Canadians had done it?
- 10 A That's right.
- 11 Q You yourself don't know whether his account was
- 12 ever frozen; is that correct?
- 13 A Whatever I have been told -- I'm trying to give
- 14 you everything I know, same thing I did with the CIA when I
- 15 visited with them, everything I know. I was, as somebody
- 16 said, a messenger. I was trying to, you know, assist my
- 17 government in everything I knew that could help them in this
- 18 transaction.
- 19 Q All right, when was the last time you spoke with
- 20 Mr. Khashoggi?
- 21 A I spoke with him today.
- 22 Q Did you speak with him regarding matters you and I

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1 have discussed today?

2 A No, I told him I'm going down and I told him that
3 I don't have a lawyer, and he said, well, you know, you've
4 got nothing to worry about. Just tell them everything you
5 know. You don't need a lawyer.

6 Q Did you and he discuss anything about the
7 substance of your testimony?

8 A No, definitely not. Definitely not.

9 Q In preparation for today's testimony, did you
10 discuss the Canadians with Mr. Khashoggi?

11 A No.

12 Q Have you had occasion to be interviewed by the
13 independent counsel or appear before the grand jury that the
14 ^{independent} ~~independent~~ counsel is utilizing?

15 A No, I spoke with somebody at independent counsel
16 and they said they just wanted to have the bank statements,
17 show what happened to the money that I got from
18 Mr. Khashoggi. They didn't know about the money from
19 Ghorbanifar.

20 Q Okay, with regard to the independent counsel then,
21 the only conversations you have had with him relate to these
22 bank statements; is that right?

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1 A That's all.

2 Q Have you been interviewed by the FBI on these
3 matters?

4 A No.

5 Q Now, apart from the \$60,000 payment from
6 Ghorbanifar that we have looked at earlier today, have you
7 ever received any other monies from Ghorbanifar?

8 A No.

9 Q And apart from the \$80,000 plus payment and the
10 \$8000 expense reimbursement from Khashoggi, are there any
11 other monies you received from Khashoggi in 1986-87?

12 A I don't believe so, but I will double check it.
13 But I don't believe so.

14 Q How about this year?

15 A No, I don't believe so. Off the record.

16 (Discussion off the record.)

17 BY MR. KERR:

18 Q I understand. To make things as clear as I can,
19 you do not attribute any money you received from either
20 Ghorbanifar or Khashoggi at any time to the Iran arms
21 transactions; is that correct?

22 A Ghorbanifar, you saw where I got the money from.

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1 Khashoggi sent me the money. The fact that it may have come
2 from the transaction, I don't know where he got the money
3 from.

4 Q But there is no relationship between any payments
5 that you have received from Ghorbanifar and Khashoggi and
6 your involvement in the arms transaction?

7 A Definitely not.

8 Q Do you have knowledge of the Canadians Fraser and
9 Miller making any effort to get Khashoggi to change, modify
10 or otherwise vary his story about the pressure that they
11 brought to bear on him?

12 A I don't know.

13 Q Khashoggi has never discussed that with you?

14 A No.

15 Q You are aware, are you not, of an interview that
16 Manny Floor gave a series of Midwestern newspapers about a
17 trip to the Cayman Islands in March of 1986?

18 A I never knew he went to the Caymans.

19 Q Did either Mr. Shaheen, Robert Shaheen, or
20 Mr. Khashoggi ever talk to you about their reaction to
21 Floor's statements in the newspaper?

22 A Never.

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1 Q You are not familiar with expressions of dismay or
2 disappointment that Mr. Shaheen made to Mr. Floor after that
3 story was published?

4 A No, no, but off the record, he is always attacking
5 anybody, you know.

6 Q Robert Shaheen is?

7 A But I don't know about what was in the press, and
8 I have never seen, never heard anything about it.

9 Q The reason I raise it is that story said quite
10 bluntly -- and we've since deposed Mr. Floor -- that Fraser
11 and Miller were in the Cayman Islands, that the 10 million
12 was loaned at that time, specifically for the Iran arms
13 transaction, and Mr. Shaheen apparently reacted unhappily to
14 that story once it came out, but that has not been discussed
15 with you?

16 A I have never heard it before this time.

17 Q You were interviewed by the Royal Canadian Mounted
18 Police?

19 A When I met with the Canadian ambassador, they came
20 in and asked me lots of questions.

21 Q Do you recall telling them anything different from
22 what you have told me today?

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- 1 A None whatsoever.
- 2 Q Did they ask you anything different from what I
- 3 have asked you today?
- 4 A They had a list of names and companies which they
- 5 asked what I knew about, and most of them I never heard of.
- 6 Q All right. Have you had any connection with
- 7 Vertex?
- 8 A No.
- 9 Q You have not?
- 10 A None.
- 11 Q Have you had any connection with any entities
- 12 owned by Miller or Fraser?
- 13 A None.
- 14 Q Has Khashoggi offered you any monetary reward if
- 15 your efforts to obtain repayment of this money came to
- 16 fruition?
- 17 A Well, he once said when I get the money, I'm going
- 18 to give you a nice bonus.
- 19 Q Did he put a percentage or price tag on the bonus?
- 20 A No, he said at least count on a hundred thousand,
- 21 but I hope he gets the money back.
- 22 Q And as to the accommodation that he has reached

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1 with the Canadians or whomever, you don't know the details of
2 that accommodation?

3 A No.

4 Q Give me one minute and I think we can get you get
5 out of here.

6 (Discussion off the record.)

7 BY MR. KERR:

8 Q Have you had any dealings with Euro-Commercial?

9 A No.

10 Q You have not?

11 A No.

12 Q Are you familiar with the company?

13 A I have just read in the press.

14 Q Apart from Casey and the other CIA folks that you
15 had discussions with, did you discuss these matters with any
16 other U.S. government official?

17 A No.

18 Q No?

19 A No.

20 Q Now, we asked you to produce certain documents to
21 us. Am I correct that you have produced all documents that
22 were responsive to the subpoena?

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A Yes.

MR. KERR: Okay. I think we're done.

(Whereupon, at 4:35 p.m., the deposition was
concluded.)

*No questions about
Demand
or Puck*


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I, KATHIE S. WELLER, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn by me; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.


Kathie S. Weller
Notary Public in and for the
District of Columbia

My Commission Expires NOVEMBER 14, 1989

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July 1, 1985

Dear Mr. McFarlane:

Since the early part of this year, I have had a number of approaches from Iranian officials who, although they do not admit to being disloyal to their government, believe that it is being forced into policies which are taking their country into even deeper chaos than it is already in. For reasons which will be clear to you once you find time to read the attached paper, I have not gone as far as I could have gone in the development of these contacts, but I have managed to channel them through a single senior individual who is in charge of Iranian intelligence in Western Europe.

The remarks of this individual begin on page 33, following an explanatory note by myself on page 32. They consist of a translation (from French into English) of a report he gave me explaining his conviction that the USG is "profiting" from the present situation in Iran, and the Iraq Iran war; a report (translated from Farsi into English) outlining the current political divisions in Iran; an abbreviated transcription of a taped conversation he had with me on the subject of how he and his colleagues are now in desperate need of "outside help" which must come from one such as myself rather than from the CIA or some other Western intelligence agency. These papers I would treat as "Confidential" according to your government's system of security classification. The others in my possession, which I will convey to you in the event you find interest in the ones I now enclose, should be regarded as TOP SECRET, and shown to others in your government on a strict "Need to Know" basis.

As for blue bound booklet as a whole, I have put it together, with the Iranian materials (Part III) as part of it, because I would not want you have you read these materials except in a context wherein I have an opportunity to explain the premises which underlie my present thinking. There is a question here of perspectives, and you will appreciate that my own, rather than those of the Iranians, are the ones which determine what I will and will not be willing to do in playing the role which they envisage for me.

While I am at it, let me say that I have followed from afar your own role in your government's current crisis. As you will see from the attached paper, I am not entirely in agreement with it, but I do admire the competence you are showing as you apply it.

With my very best wishes, I am

Sincerely yours,

Adnan M. Khashoggi

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under provisions of E.O. 12356
by K. Johnson, National Security Council

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9 Oct

□ Bill Casey copy of
Iran Event Notes

Remark
Ray Foran - [REDACTED]

Contributor of funds
72 percent delivered

1988 - NIK

- Australia said that Sam would
call Australia re date for meeting
- Australia willing for meeting
- Sam shd. call Australia
- Australian says that they are not
resp. for 2 laws



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ROY M. FURMARK
200 HICKS STREET
BROOKLYN, NY 11201

February 18, 1987

Senator David L. Boren
Chairman
Senate Select Committee on Intelligence
Washington, D.C. 20510

Dear Senator Boren:

The following sentence which appeared in the Senate Select Committee on Intelligence - Report on Preliminary Inquiry - "According to the memorandum, Furmark also presumed that \$2 million of the \$8 million paid by the Iranians to Ghorbanifar went to Nir, as agreed to at a meeting among the financiers, Ghorbanifar, and Nir in May." is not true and was never said by me. I know of no meetings between Financiers (Khashoggi), Ghorbanifar, and Nir in May or at any time in 1986 and was never told by anyone of any such meeting(s).

I have always stated that Mr. Khashoggi was paid eight million dollars by Mr. Ghorbanifar after he received the funds from the Iranian Government in the summer of 1986 and that Mr. Khashoggi is still owed 10 million dollars. This was stated by me in my meetings with Mr. William Casey, Mr. Charles Allen and Mr. George Cave. Furthermore I testified to these facts before the Senate and House Intelligence Committees.

I was never asked in the Senate or House Committee hearings about the above quoted sentence. Had I been asked by the Senate Committee I would have flatly denied ever making such a statement which to the best of my knowledge is not true. Furthermore, Nir was never mentioned in the October 22, 1986 meeting.

I am surprised that I was not contacted about this sentence prior to publication in view of my testimony to your committee.

I would greatly appreciate it if the Committee would review this matter and make the appropriate revision to the report.

Very truly yours,

Roy M. Furmark

Roy M. Furmark

~~Previously Unclassified~~ Released on 11 FEB 88
under provisions of E.O. 12958
by K. Johnson, National Security Council

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CAS

DEPOSITION
RICHARD B. GADD
Friday, May 1, 1987

Select Committee to Investigate
Covert Arms Transactions with Iran,
U.S. House of Representatives,
Washington, D.C.

The deposition convened at 2:45 p.m. in Room 2226,
Rayburn House Office Building.

Present: Kenneth A. Lazarus and Daniel Q. Grief,
counsel to Mr. Gadd; David Faulkner, Investigator,
Senate Select Committee; Kenneth R. Buck, Assistant
Minority Counsel, House Select Committee; Ken Ballen,
Associate Counsel, House Select Committee; and
Donald Remstein, Investigator.

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1 Whereupon,

2 RICHARD B. GADD

3 having been first duly sworn, was called as a witness herein,
4 and was examined and testified as follows:

5 MR. BALLEEN: The witness has been worn. Go ahead.

6 MR. LAZARUS: For the record, I would like to,
7 number one, indicate that Mr. Gadd's testimony here today,
8 as well as previous interviews conducted by the staff
9 beginning on the day when he was first granted immunity, have
10 been compelled within the meaning of the First Amendment,
11 and that I have been advised, which I would appreciate your
12 corroborating, that he has been under subpoena since well
13 before that time, and since the date of the original
14 subpoena has been complying with that compulsory process,
15 and if we could introduce the subpoena into the record.

16 MR. BALLEEN: I don't have the subpoena with me.

17 MR. LAZARUS: If you would merely corroborate
18 my statement.

19 MR. BALLEEN: Right. What I would like to say is
20 that this has been done pursuant to an order signed by
21 United States Chief District Judge Aubrey Robinson compelling
22 Mr. Gadd testify under Section 6005(b) of Title 18, United
23 States Code, and will make the order or a copy thereof
24 exhibit number one.

25

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(Whereupon, the document referred to was marked for identification as Gadd Deposition Exhibit 1.)

MR. LAZARUS: The second point I would like to make for the record is that although this is not a judicial proceeding, and I am not aware of your procedures, I would like agreement that we will conduct the deposition in terms of future use of the deposition as if it were being conducted under the Federal Rules of Civil Procedure, so that save for questions which might involve some privilege, attorney/client privilege, I will not interpose any objections, but that for future purposes I would reserve whatever rights as to the form of the question or as to whether or not the relevance of the question or other objection that might be lodged.

MR. BALLEEN: That would be fine. Let's proceed.

The rules of the committee provide in terms of any future use of the subpoena that any objections as to questions posed today you can raise with me, and if they can't be resolved, they have to be referred to the Chair ultimately.

MR. LAZARUS: Would you explain that to me again?

MR. BALLEEN: Since the procedure of the committee, if there is an objection to a particular question -- why don't we proceed today. If you object to a question, we will not ask it today. You will raise your objections.

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1 MR. LAZARUS: For purposes of future proceedings,
2 I don't want to interpose at this point in time, I don't
3 think it would be fruitful to interpose objections that go
4 to the form of the question. Indeed, I don't know whether
5 or not I have a right to interpose such objections here.

6 I would just like to make that point on the record
7 for purposes of any future proceeding. My point with
8 respect to Mr. Gadd's answers before this committee that I do
9 not want to instruct him to answer in any way that is
10 confining, in the sense of providing adequate information
11 to you.

12 Normally, questions might be posed that would
13 require a yes, no or I don't know answer. I don't want to
14 stifle the proceeding and allow you to have a free discourse
15 with Mr. Gadd, and I just want to make that a matter of
16 record.

17 The third point that I would make is I am advised
18 by the reporter that you are not authorized to provide me
19 with a copy of this record, but that Mr. Ballen has
20 indicated that I will be provided by him a copy of the record.

21 MR. BALLEEN: Yes.

22 MR. LAZARUS: That is all I have.

23 MR. BALLEEN: With that, let's proceed.
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EXAMINATION

BY MR. BALLENG:

Q Do you want to give your full name for the record?

A I am Richard B. Gadd, g-a-d-d.

Q Mr. Gadd, how long did you serve in the Armed Forces of the United States?

A Slightly over 20 years.

Q And during your service in the Armed Forces, did there come a time when you specialized in covert operations?

A Yes.

Q And did there come a time during your service with covert operations that you met General Secord?

A Yes.

Q And how did that come about?

A The first meeting with General Secord was in connection with the Iran hostage rescue attempt.

Q And when would that be?

A I believe it was in the spring of 1980, but I am not certain.

Q And during your time after first meeting him, did you work with him closely while you were in the service?

A Yes.

Q In covert operations?

A Not in covert operations. I worked with him closely on the Iran rescue attempt.

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1 Q Which branch of the service were you in?

2 A United States Air Force.

3 Q And when did you retire from the United States
4 Air Force?

5 A I believe it was September the first, 1982.

6 Q After you retired from the United States Air
7 Force, did you continue to work as a private citizen assisting
8 U.S. Armed Forces in covert operations?

9 A Subsequently, I assisted the United States
10 Government in those types of operations, not necessarily
11 covert.

12 Q Classified operations?

13 A Classified operations.

14 Q And did you form your own companies shortly
15 thereafter?

16 A Yes.

17 Q What were they?

18 A The first company was a subsidiary of Vinnell
19 Corporation, known as Sumarico. That company was eventually
20 subsumed by the parent corporation which we formed known
21 as American National Management Corporation.

22 Q And did American Management have subsidiary
23 corporations?

24 A Yes, Sumarico was subsumed as a subsidiary and
25 two other subsidiaries were subsequently formed known as

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1 Eagle Aviation Services and Technology, Inc. The other
2 is Air Mach.

3 Q Sir, were you the sole stockholder of these
4 companies?

5 A I eventually became the sole stockholder.

6 Q When did General Secord retire from the service,
7 to the best of your knowledge?

8 A To the best of my knowledge, it occurred in
9 1983.

10 Q And from 1983 until approximately September 1985
11 what relationship, business relationship, did you have with
12 General Secord?

13 A General Secord leased from me office space in our
14 office complex. We also provided staff assistance to his
15 business.

16 Q During that period of time, namely, from 1983
17 until September 1985, did General Secord tell you he was
18 working for the United States Government in any capacity?

19 A General Secord mentioned on several occasions
20 that he was a consultant to the National Security Council
21 or the White House, and also a consultant to the Department
22 of Defense.

23 Q And did he at any time possess any special
24 knowledge which allowed you to corroborate his statements?

25 A Would you repeat that question?

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1 Q Let me ask it a different way. Did he indicate to
2 you at any time knowledge of your classified activities with
3 the United States Government.

4 A Yes.

5 Q And from that did that corroborate the fact to you
6 that he was, in fact, an adviser to the Government in some
7 capacity?

8 A Yes.

9 Q Sir, beginning in or about January of 1985, did
10 General Secord ask you to arrange for the charter of
11 aircraft to deliver munitions from Lisbon, Portugal to
12 Guatamala, Central America?

13 A Yes.

14 Q And how did Secord describe the purpose of these
15 charters to you?

16 A They were to be the, the carrying -- or the
17 munitions were to be provided in support of the Contadora
18 in Honduras.

19 Q And when you say the Contadora, you mean the anti-
20 Sandinista forces fighting against the Sandinista regime in
21 Nicaragua?

22 A Yes.

23 Q Did he describe this operation to you as
24 clandestine, covert or anything to that effect?

25 A He indicated to me that this type of activity

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1 should be conducted very discretely.

2 Q And did you subsequently charter the aircraft?

3 A I arranged for the charter. I did not charter
4 it.

5 Q And who did you arrange to charter the aircraft
6 with?

7 A Southern Air Transport.

8 Q Sir, in or about March of 1985, did you arrange
9 for another charter from Lisbon to Guatamala?

10 A I am uncertain as of the date. I would place that
11 as approximately correct.

12 Q And you did arrange for another charter?

13 A That is correct.

14 Q In 1985?

15 A Yes.

16 Q In 1986, did you continue to charter aircraft
17 for General Secord, again, to haul munitions from Portugal
18 to Central America, arrange for the charter?

19 A Yes.

20 Q And how many charters did you arrange for in 1986,
21 to the best of your recollection?

22 A I think it was five additional charters in 1986.

23 Q Let me just ask a clarifying question. Was the
24 five charters overall, two in 1985, three in 1986, or
25 five additional to the two in 1986?

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1 A I would place it at five to six total between
2 1985 and 1986.

3 Q For the charters both in 1985 and 1986, what kind
4 of munitions did they contain?

5 A I believe it consisted of ammunition, 7.62,
6 explosives, 40 millimeter shells, and weapons.

7 Q Do you recall what any of the weapons were?

8 A No.

9 Q And who informed you as to the type of munition
10 that was aboard these charters?

11 A General Secord.

12 Q Were these articles of East European or Soviet-
13 type manufacture, to the best of your knowledge?

14 A I believe some were East European manufacture.

15 Q Sir, what was the weight carried on the planes,
16 of the munitions in the charters?

17 A Approximately 85,⁰⁰⁰ to 95,000 pounds per charter.

18 Q On at least one of the shipments, did you know
19 who supplied the arms?

20 A By individual or company.

21 Q Company, or individual, if you know.

22 A There was one company in Canada, I believe it
23 was connected with supplying the munitions.

24 Q Do you recall the name of the company?

25 A Something to the effect of Transamerica Arms, or

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1 related to that name, from Canada.

2 Q Did you call them in reference to an end user
3 certificate?

4 A I had a discussion with the President, who I
5 believe to be the President of the company, and I do not
6 remember the specific circumstances, whether it would
7 involve end user certificate or other documentation.

8 Q And who had asked you to call him?

9 A General Secord.

10 Q And what was the result of the conversation?

11 A For him to deliver to us documents to pass on to
12 the air carrier.

13 Q Did Secord pay you a commission for arrangement
14 for the charters that you have described?

15 A Secord did not.

16 Q Who did?

17 A Southern Air Transport.

18 Q And to your knowledge, who paid Southern Air
19 Transport?

20 A I directed -- correction on that. I informed
21 General Secord of the price of the charter, and passed on
22 to him bank transfer information for transfer of funds.

23 Q To Southern Air Transport?

24 A To Southern Air Transport.

25 Q And on the first two charters in 1985, do you know

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1 if Southern Air subcontracted those.

2 A Yes, they did.

3 Q To who?

4 A Arrow Air.

5 Q Sir, in or about September 1985, did General

6 Secord contact you in reference to setting up an air

7 re-supply operation?

8 A Yes.

9 Q What did he say in reference to that?

10 A First, verbally to describe how that could be
11 done. Subsequently he asked me to develop a plan.

12 Q Did he specify to you that it was a plan to drop
13 weapons and other supplies in the area of Central America?

14 A Yes.

15 Q Did you draw up such a plan?

16 A Yes.

17 Q And who did you give it to?

18 A General Secord.

19 Q Did General Secord tell you to whom he was

20 taking the plan for approval?

21 A General Secord said he was taking it to the White
22 House.

23 Q As a result of the plan, did you investigate and
24 subsequently discuss with General Secord the various types
25 of aircraft necessary to conduct this operation?

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1 A Yes.

2 Q And which planes did you discuss with him?

3 A C-7 Caribou, C-123, Cara-212, and I believe,
4 I think C-47.

5 Q And did you settle on any particular plane as a
6 result of your discussions with General Secord?

7 A Yes.

8 Q Which plane was that?

9 A Originally the C-123.

10 Q What about the Caribou?

11 A When we were unable to arrange for the purchase
12 of C-123s, we changed to C-7 Caribou.

13 Q Do you know whether Secord presented this option
14 of the planes to anyone at the White House?

15 A He indicated to me that the White House approved
16 that choice of aircraft.

17 Q Did Secord tell you that there would be an
18 opportunity for you to profit from your involvement in this
19 re-supply operation?

20 A Ultimately, yes.

21 Q And how did he tell you that?

22 A That we would be given the opportunity to set up
23 the air operation in Central America, and to charge an over-
24 head plus fee.

25 Q Did he discuss with you the fact that you could

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14

1 eventually buy a share in the ownership of the aircraft?

2 A Yes, as part of that building.

3 Q What, if anything, did General Secord tell you
4 about the covert nature of the operation?

5 A Covert is not the correct word.

6 Q Okay. Why don't you tell me what would be.

7 A I would say more accurately confidential air
8 activity to support or provide air support to the contras.

9 Q Did he tell you why it had to be confidential?

10 A It was implied that this kind of operation
11 should be kept very low key and not be known to the general
12 public.

13 Q Specifically, did he tell you it should be kept
14 secret to protect the sponsorship of the United States
15 Government in this operation?

16 A I was told to protect both his name and the
17 White House. That was the implication.

18 Q And sir, did you subsequently hire Edward DeGaray
19 in this operation?

20 A I did.

21 Q And did you explain to General Secord that DeGaray
22 would be useful as a cut-off?

23 A Yes.

24 Q To protect the identity of the Government and
25 General Secord?

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15

1 A Correct.

2 Q When I say the identity of the Government, the
3 sponsorship of the United States Government.

4 A Ray was hired to conduct the operation, and by
5 using Garay, Garay would not know that General Secord
6 or the United States, or the White House was involved.

7 Q Sir, did you contact Southern Air Transport to
8 purchase and help maintain the aircraft?

9 A Yes.

10 Q And did you ask them to acquire a shell company
11 in Panama to hold title to the aircraft?

12 A Yes.

13 Q Did they agree to do so?

14 A Yes.

15 Q And what was the name of the company they
16 acquired?

17 A I think the name was Amalgamated Consolidated
18 Enterprise, also known as ACE.

19 Q And was there a plan between you and Southern
20 Air Transport?

21 A Yes.

22 Q To share ownership of Ace?

23 A That is correct.

24 Q What would be the ownership percentage?

25 A Fifty percent for Southern Air Transport, and

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1 50 percent for my companies.

2 Q And in addition to that, was there any plan to use
3 the aircraft for commercial purposes, for additional revenue
4 and as a cover for the operations?

5 A Yes. That is correct.

6 Q And that is what you discussed with Southern
7 Air Transport?

8 A Yes.

9 Q Sir, in or about November 1985, did you identify
10 four C-423 aircraft for purchase, possible purchase, I should
11 say?

12 A I believe the number was three aircraft.

13 Q And where were these aircraft located?

14 A Venezuela.

15 Q The funds for the aircraft that you were to
16 purchase, who was to furnish those to you?

17 A General Secord informed me that those funds would
18 be provided by private -- correction, donation.

19 Q And that you would inform him of your need for a
20 fund, for money before receiving the money; is that correct?

21 A I would inform him of the cost of the purchase.

22 Q And he would effectuate the transfer of the
23 funds to you?

24 A Yes. No. Not to me.

25 Q To whom?

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- 1 A To the seller.
- 2 Q And who would the title to the aircraft revert?
- 3 A Initially the title to the aircraft would revert
- 4 to ACE.
- 5 Q And the plan was that you were to share an ownership
- 6 interest in ACE?
- 7 A That is correct.
- 8 Q So that eventually the title to those aircraft
- 9 when this operation would be complete, what was the plan
- 10 with respect to that?
- 11 A The original concept was the aircraft would be
- 12 titled to ACE, and that ACE would buy out equity in the
- 13 aircraft.
- 14 Q You stated the aircraft were located in Venezuela.
- 15 Who owned the aircraft?
- 16 Q Venezuelan ~~and~~ Air Force.
- 17 Q Had you at this time met Oliver North,
- 18 Lieutenant Colonel Oliver North of the NSC staff?
- 19 A Not in this time frame.
- 20 Q Did there come a time when you did meet him?
- 21 A Yes.
- 22 Q And he provided assistance with respect to the
- 23 Venezuelan aircraft?
- 24 A Yes.
- 25 Q And what assistance did he provide?

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18

1 A I was told that he had sent either a letter, a
2 message or had made a telephone call to the embassy, the
3 American embassy in Caracas, Venezuela.

4 Q And what was the effect of that phone call?

5 A To work, to attempt to work with the Venezuelan
6 Air Force in effecting the sale of those aircraft.

7 Q Did he read or tell you that? "He" being Oliver
8 North.

9 Let me just ask it this way. Did Oliver North
10 show you a cable that he had sent to Venezuela?

11 A I think he read it to me over the telephone.

12 Q And when you say he read it to you, did he say
13 "This is a cable I am reading"? What did he say to you when
14 he read it to you?

15 A I believe he described what he was reading as
16 the message that he had sent to the American embassy.

17 Q Had you met him personally by the time --

18 A I can't recall.

19 Q Let me mark something as Committee Exhibit number
20 two. I show this to you.

21 (Whereupon, the document referred to
22 was marked for identification as
23 Gadd's Deposition Exhibit 2.)

24 BY MR. BALLEEN:

25 Q Do you recognize that document?

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1 A Yes, I do.

2 Q How do you recognize it?

3 A That document was constructed in Venezuela by
4 myself and Mr. William Langton, President of Southern Air
5 Transport.

6 Q What does it purport to be, or what is it?

7 A A proffer for the procurement of the C-123 aircraft,
8 owned by the Venezuelan Air Force.

9 Q At the time you drew up that letter, had Oliver
10 North intervened to assist you in obtaining these
11 aircraft?

12 A His assistance occurred after this letter was
13 drafted, I think, shortly after.

14 (Discussion off the record.)

15 BY MR. BALLENG:

16 Q Had you met Oliver North at the time he offered
17 his assistance on the Venezuelan aircraft?

18 A I believe so.

19 Q In or about October 1985 did you attend a meeting
20 with Oliver North, where North asked you to conduct a study
21 to build an air strip in Costa Rica?

22 A Yes.

23 Q And did North have with him a map of Central
24 America?

25 A Yes. There was a map. I am not sure who actually

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1 had it in their possession.

2 Q Did North point out to you where in Central America
3 the air strip was located?

4 A Yes, to be located.

5 Q And who else was present at this meeting?

6 A General Secord, an associate of Colonel North,
7 whose name I believe is Olmstead --

8 Q Did Colonel North introduce you to Olmstead?

9 A Yes.

10 Q And?

11 A And I believe Albert Hakim was also at the meeting.

12 Q Where in Costa Rica did Colonel North point out
13 that the airstrip was to be located?

14 A I would say it was approximately 20 nautical miles
15 south of the southern Nicaraguan border, on the Pacific
16 Coast.

17 Q Did North say anything with reference to Olmstead
18 and this airstrip?

19 A Yes.

20 Q What did he say?

21 A He informed me that Olmstead had been at the
22 location and had surveyed it, taken pictures, and dealt ^e
23 with the locals in the area.

24 Q And was it indicated at the meeting by Oliver North
25 or anyone else that the permission of the Costa Rican

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1 Government had been obtained?

2 A Yes.

3 Q And what is your best recollection of who said

4 what on that?

5 A That they were working with the Costa Rican

6 Government to get final approval to build the air strip.

7 Q Did Oliver North say that?

8 A I don't recall who said it.

9 Q Could it have been Olmstead, North or Secord?

10 A It could have been either one of the three.

11 Q Were you subsequently hired or did you generally

12 agree to conduct the study?

13 A Yes.

14 Q And did you hire personnel to draw up a plan to

15 build the airstrip?

16 A Yes.

17 Q And who was to pay you for the airstrip, and your

18 work?

19 A General Secord stated that he would arrange for that

20 payment.

21 Q And did you subsequently construct the airstrip

22 through one of your subsidiaries, EAST?

23 A We supervised the construction of the airstrip.

24 Q And who did you invoice for these? Let me show

25 you Exhibit 3, which would be a series of documents. On the

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1 first page of the documents are what looks like wire transfers,
 2 on the second page, an invoice from East, Inc. to Lake
 3 Resources, Inc., and these invoices begin on January 23,
 4 1986, and run approximately to the end of the year, the last
 5 one being December 5th, 1986. Mr. Gadd, looking at those
 6 documents, do at least some of those documents represent
 7 invoices?

8 (Whereupon, the documents referred
 9 to were marked for identification
 10 as Gadd Deposition Exhibit 3.)

11 THE WITNESS: Yes, some of these documents
 12 relate to the invoices submitted to Lake Resources, Inc.
 13 for construction of that airfield.

14 BY MR. BALEN:

15 Q And to whom did you give the invoices for
 16 payment?

17 A General Secord.

18 Q Did you send them down to the P. L. box in
 19 Panama or did you personally deliver them, either yourself
 20 or one of your employees, to General Secord.

21 A ~~That~~ is correct. On some occasions I personally
 22 handed them to him. In other cases, the employees of my
 23 company handed him those invoices.

24 Q But they were not sent to Lake Resources in Panama.

25 A They were not sent to Panama.

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1 Q Sir, could you estimate to the best of your
2 ability what profit you obtained from working on this
3 project?
4 A Yes.
5 Q And could you estimate how much profit you had
6 obtained from this activity?
7 A The construction of the air strip?
8 Q Yes, sir.
9 A In terms of dollar amount?
10 Q Yes.
11 A I cannot estimate that. What do you mean by profit?
12 Q Well, you said you were making a profit on it.
13 A Correct.
14 Q ~~How~~ were you making a profit?
15 A Income exceeded expense.
16 Q That is my question. How much did the income
17 exceed the expense by?
18 (Discussion off the record.)
19 (Whereupon, the reporter read the record as directed.)
20 THE WITNESS: I do not know. However, gross
21 receivables exceeded \$100,000 for construction of that air-
22 field.
23 BY MR. BALLEEN:
24 Q And that was money paid to you through General
25 Secord?

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1 A That was money paid to the company through General
2 Secord.

3 Q Now, sir, did General Secord and Oliver North
4 also call you in late 1985 in reference to Rob Owen?

5 A Yes.

6 Q And did they both tell you -- both being Secord
7 and North -- to speak to Owen about an additional business
8 opportunity in Central America?

9 A I do not recall which one informed me. However,
10 I was instructed to meet with Rob Owen about additional
11 business opportunities in Central America.

12 Q And did you meet with Rob Owen?

13 A I did.

14 Q And what occurred as a result of your meeting with
15 Rob Owen?

16 A Rob Owen suggested I contact a Mr. Mario Calero in
17 New Orleans, who was ostensibly in charge of FDN logistics in
18 the United States.

19 Q And after your contacts with Mario Calero, did
20 eventually you enter into a contract with the United
21 States State Department?

22 A Yes.

23 Q And what did that contract involve?

24 A Air movement of humanitarian supplies from the
25 United States to Central America.

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- 1 Q And what Government official headed that program?
- 2 A The highest official I am aware of was an
- 3 ambassador, Robert Duemling.
- 4 Q Did you ever meet with Ambassador Duemling?
- 5 A Yes.
- 6 Q And did Oliver North ever accompany you to a meeting
- 7 with Ambassador Duemling?
- 8 A Yes.
- 9 Q Could you explain the circumstances of that?
- 10 A Oliver North asked me to meet with Ambassador
- 11 Duemling and his staff at the Nicaraguan Humanitarian
- 12 Assistance Office, in Rosslyn, to describe our capabilities,
- 13 to provide this air transportation service.
- 14 Q And did you do so?
- 15 A And we did so.
- 16 Q And do you recall when that meeting occurred?
- 17 A I would say that meeting occurred in December
- 18 of 1985 or January 1986.
- 19 Q And did you subsequently pursuant to that contract
- 20 with the Department of State -- did you get the contract
- 21 after the meeting, letter of commitment?
- 22 A I believe so.
- 23 Q Now, sir, did you subsequently perform services
- 24 under that contract with the Nicaraguan Humanitarian
- 25 Assistance Office?

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1 A We did.

2 Q Through which of your companies did you do that?

3 A Air Mach.

4 Q Now, sir, in January 1986 did Southern Air Transport
5 finally purchase an aircraft, for your resupply operation?

6 A Yes.

7 Q What aircraft did they purchase?

8 A A C-7 Caribou.

9 Q And what was the purpose of purchasing this
10 aircraft?

11 A To deploy the aircraft to Central America, to
12 provide air cargo movement.

13 Q How was this distinct from the Nicaraguan
14 Humanitarian Assistance Office contract?

15 A The NHAO contract was to provide air transportation
16 of goods from the United States to Central America. The
17 C-7 Caribou was to move those goods and others within the
18 Central American region.

19 Q And those goods and others, were the others goods
20 that were intended to be moved munitions and other arms for
21 the contra forces?

22 A Yes.

23 Q Now, sir, from whom was the C-7 Caribou aircraft
24 purchased?

25 A I think the name of the company was Prop Air of

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1 Rouyn, Canada.

2 Q And how much was it purchased for?

3 A The first aircraft cost approximately \$500,000,
4 with initial spares.

5 Q Now, sir, was this aircraft going to be titled
6 to ACE according to your original understanding with General
7 Secord?

8 A The original plan was to title the aircraft to
9 ACE.

10 Q Did there come a point in time when the original
11 plan changed?

12 A Yes.

13 Q And how did that plan change?

14 A Can we stop for a second?

15 (Discussion off the record.)

16 THE WITNESS: There was a meeting that occurred
17 in either January or early February, in which General
18 Secord, Colonel North, Mr. Tom Clines and myself met
19 in a restaurant in McLean, Virginia. At that meeting I was
20 instructed that the title of those aircraft would revert
21 to Udall Corporation.

22 Q And who was Udall Corporation?

23 A It is a company that I believe General Secord was
24 associated with.

25 Q And what was your response when they told you that

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1 the plan had changed? That ACE would no longer hold title?

2 A I made the statement that this was not my
3 original understanding, but relented and agreed.

4 Q And, sir, to the best of your recollection, do you
5 recall whether or not this meeting occurred after the first
6 aircraft was purchased or before?

7 A I do not recall.

8 Q Now, in February 1986, did you help move the
9 aircraft down to El Salvador?

10 A I assisted with the movement of that aircraft to
11 El Salvador.

12 (Discussion off the record.)

13 BY MR. BALLEEN:

14 Q Sir, in December 1985, did you receive an advance
15 for your operating expense for the air resupply operation?

16 A Yes.

17 Q And did Oliver North in your presence direct
18 General Secord to furnish you with an advance?

19 A Yes.

20 Q And how much did he direct General Secord to
21 furnish you?

22 A \$150,000.

23 Q How much did you subsequently receive?

24 A I believe the figure was \$100,000.

25 Q How did General Secord respond when Oliver North

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1 directed him to?

2 A He acknowledged that he would do that.

3 Q And this was an advance in order to let you start
4 up with the air resupply and the construction of the air-
5 strip?

6 A Correct.

7 Q Both activities?

8 A Both activities.

9 Q And the air re-supply operation comprehended the
10 movement of munitions as well as other goods?

11 A In Central America.

12 Q Now, sir, directing your attention to the winter.
13 After February 1986, did North -- what did North and Secord
14 tell you concerning the necessity of moving arms into the
15 contras at that time?

16 You had one aircraft down there, correct?

17 A I was informed that the contras resistance was
18 going very poorly, and that they were in urgent need of
19 resupply.

20 Q And who told you that, sir?

21 A Both General Secord and Colonel North.

22 Q And what did they want you to do?

23 A They wanted us to develop and sustain an air
24 re-supply capability as fast as possible.

25 Q And where were you to move arms from and where

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TOP SECRET

30

1 were you to move them to in Central America?

2 A Initially to move supplies and munitions within
3 Honduras, and between Honduras and El Salvador.

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31

1 Q Sir, did there come a time when Colonel North
2 called you at home and said that Captain Lopez of the FDN
3 needed an immediate shipment of ammunition to him in
4 Aguacate?

5 A Can you be more precise with that question? I
6 don't recall this conversation.

7 Q Did Colonel North ever call you at home?

8 A Yes.

9 Q Did he ever call you at home in reference to
10 the needs of the Contras?

11 A Yes.

12 Q What did he tell you?

13 A On one occasion, I recall, we should get an L-100
14 aircraft to El Salvador as soon as possible to effect a
15 resupply?

16 Q What did he want you to resupply and to whom?

17 A I don't recall what the load would have been. We
18 did, however, deploy the aircraft.

19 MR. BALLEEN: Can we stop for a second?

20 (Discussion off the record.)

21 BY MR. BALLEEN:

22 Q On one of the flights---

23 MR. LAZARUS: Excuse me.

24 Are you now beginning a new line of inquiry,
25 or starting on a completely different line of inquiry?

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MARY FERRELL
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32

jm 2

1 MR. BALLEEN: Same line of inquiry. Colonel North
2 calling.

3 BY MR. BALLEEN:

4 Q Did Colonel North call you one time in reference
5 to NHAO flight?

6 A Yes. He advised me they had an urgent requirement
7 to move supplies from New Orleans to El Salvador. This would
8 be Nicaraguan Humanitarian Assistance Office supplies.

9 Q Did you do so?

10 A Yes.

11 Q What happened when the crew had that plane down
12 in Central America?

13 A After they arrived, and off-loaded, or attempted
14 to off-load, they were advised by the FDN representative
15 down there to continue to take that load to Aquacate
16 air field.

17 Q Did they do so?

18 A They did so.

19 Q Did there come a time when Captain Lopez asked
20 them to move ammunition on that plane?

21 A That is my understanding.

22 Q Did you subsequently have discussions with the
23 representatives of the Nicaraguan Humanitarian Assistance
24 Office regarding payment for the movement?

25 A Yes.

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FOUNDATION

TOP SECRET
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33

jm 3

1 Q And the substance was they refused to pay?

2 A That is correct.

3 Q Beginning in March of 1986, did flights to trans-
4 port arms to the Contras inside Central America begin to
5 occur?

6 A Yes.

7 Q And who -- what -- where were these flights being
8 conducted?

9 A There were two types of flights. First was
10 the transfer of munitions and supplies from El Salvador to
11 Aquacate air field.

12 In addition, operating -- while operating out of
13 Aquacate air field, the crews provided -- performed air
14 drop of supplies to FDN forces within Honduras and also
15 provided training to FDN pilots.

16 Q Did North or Second, at that time, mention to you
17 the needs of the southern front?

18 A Yes.

19 Q What did each of them tell you?

20 A I do not recall which informed me that the forces
21 in the southern front of Nicaragua were in urgent need of
22 resupply, of munitions and goods.

23 Q Did both of them inform you, or one of them inform
24 you?

25 A I do not recall.

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34

jm 4

1 Q What occurred as a result of them informing
2 you of that, of the urgent need of the southern forces for
3 supplies and munitions?

4 A We considered the C-7 Caribou inappropriate to
5 resupply that type of load and the C-123 in that area, at
6 that time. And I was asked to arrange for Southern Air
7 Transport L-100 to effect that resupply.

8 Q Did Secord ask you to do that?

9 A Yes.

10 Q How did he phrase his request to you?

11 A That we must -- I must arrange for an L-100
12 to provide an air drop of those items to FDN forces in the
13 southern front. It was of the highest urgency.

14 Q Why was it of the highest urgency? Did he
15 specify?

16 A I believe he stated that they were almost completel
17 out of munitions and other supplies that were critically
18 needed.

19 Q Did he say how he knew that?

20 Let me ask you the question: Did he say Colonel
21 North was begging for it to be done?

22 A I think he mentioned Colonel North informed him
23 of that.

24 Q What can you do in reference to that, sir? In
25 obtaining the L-100?

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MARY FERRELL
FOUNDATION

TOP SECRET

35

jm 5

1 A I coordinated with Southern Air Transport to carry
2 out that mission.

3 Q Do you recall how much they were going to charge
4 for the services?

5 A It was one air drop, the plan was one air drop and
6 the cost would have been approximately \$25,000.

7 Q Did that mission occur?

8 A That mission occurred.

9 Q What happened on the mission?

10 A It was unsuccessful. They were unable to air
11 drop their supplies.

12 Q Did they make a subsequent attempt to air drop
13 them?

14 A Yes.

15 Q What happened then?

16 A They were successful on the second attempt.

17 Q When was this, sir? When did these missions
18 occur?

19 A The night of, I believe, April 9th, and April
20 11th, 1986.

21 Q Do you recall, did they go -- where did they make
22 the drops of supplies and munitions?

23 A I do not know the precise location. The crews
24 were informed of that in El Salvador. I would place it
25 some 20 to 30 kilometers north of the southern Nicaraguan
border in the southeast portion of that country.

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36

jm 6

1 Q Sir, directing your attention to later in April,
2 did you fly with Colonel North and General Secord to El
3 Salvador?

4 A Yes.

5 Q What was the purpose of the trip.

6 A I was informed that Colonel North and General
7 Secord were to meet with FDN and UNO heads.

8 Q Who informed you of this?

9 A General Secord---

10 Q I am sorry, I interrupted.

11 A To meet with FDN and UNO officials to suggest the
12 logistics support of the FDN effort.

13 Q Did you travel with them?

14 A Yes.

15 Q How long did you spend -- where did you travel to
16 in Central America?

17 A Ilopango air field, El Salvador.

18 Q How long did you spend with them at Ilopango?

19 A We were on the ground approximately four to five
20 hours.

21 Q Did you accompany Colonel North and General
22 Secord when you arrived to their meeting?

23 A No. They went into a closed-door session in the
24 office of General Bastillo, Commander of the El Salvadorean
25 Air Force.

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37

1 Q Did they return with you on the Jet Star?

2 A Yes.

3 Q What if anything, did they say in reference to
4 their discussion with General Bastillo?

5 A The discussion -- General Bastillo was in attend-
6 ance at the discussion, but the discussions were directed
7 at the FDN principal.

8 Q Did they tell you which of the FDN principals
9 were at the meeting?

10 A Yes.

11 Q Who did they say?

12 A Enrique Bermudez, his chief of staff, I believe
13 was his title; General Bastillo; I believe Colonel Steele was
14 in the meeting from the military adviser group, El Salvador.

15 Q This is what North and Secord related to you
16 afterwards?

17 A This is what was related to me afterwards.

18 Q By whom?

19 A I overheard a conversation between General Secord
20 and Colonel North while on the airplane, and participated
21 in that conversations.

22 Q During that conversation, did they say that
23 Bastillo and others from the FDN indicated the planes belonged
24 to the FDN, that they viewed the planes as belonging to the
25 FDN?

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FOUNDATION

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38

jm 8

1 A Yes.

2 Q Did North and Secord report that they explained

3 that their opinion was the planes belonged to a private

4 group?

5 A Correct. A contractor.

6 Q Do you know whether or not -- what else did they

7 say on that subject?

8 A Basically the FDN principals explained about the

9 type of support they were receiving.

10 Q What did they say?

11 A Essentially that they were the wrong type of air-

12 craft and that they wanted C-130 equivalent -- C-130

13 or equivalent aircraft as a better choice.

14 Q How did General SEcord and Oliver North explain

15 their response to that?

16 A General Secord stated in this conversation that

17 he tried to explain to Enrique Bermudez and the others in

18 the group that a C-130 or equivalent aircraft was out of the

19 question, that those aircraft were, in fact, most suitable

20 for this type of air support activity, and that they would

21 work extremely hard in improving the type of air support

22 they would be receiving.

23 Q Do you know whether General Secord and Colonel

24 North were able to resolve the issue of who owned these

25 aircraft with the -- with Bastillo and the Contra leaders?

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39

jm 9

1 A No.

2 Q Let me just ask one other question on that trip.
3 Why were you traveling with Colonel North and General Secord
4 to El Salvador.

5 A I had asked to go along to see the air base, to
6 see the living quarters of the air crews and to discuss
7 with them their situation. The general discussion.

8 Q At that time, by the end of April, how many
9 aircraft had been purchased to operate the air resupply
10 operation?

11 A I believe three.

12 Q Now you mentioned the first purchase of the
13 Caribou in January. What were the other aircraft purchased
14 by that time, late April?

15 A And the second C-7 Caribou and a C-123.

16 Q During this time of late April 1986, and later,
17 did General Secord ever tell you what he planned to do with
18 those aircraft if and when Congress authorized funds for --
19 U.S. Government funds for the Contras?

20 A At some point in the late spring and early summer
21 of 1986, I was informed that they intended to sell those
22 aircraft to the Central Intelligence Agency.

23 Q Who informed you of that?

24 A General Secord.

25 Q And in what context did he tell you that; do
you recall?

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jm 10

1 A That eventually the Central Intelligence Agency
2 might be able to provide the -- general support to the Contra
3 effort, that they would be running the -- or responsible
4 for air operations, and that these aircraft and associated
5 support equipment would be an ideal capability for them
6 to continue on with.

7 Q Did he specifically mention for them to purchase?

8 A His plan was for the Central Intelligence Agency
9 to buy those aircraft and that equipment.

10 Q Sir, did he ever tell you of meeting with Director
11 Casey of the CIA?

12 A Yes.

13 Q In that regard?

14 A That is correct.

15 Let me -- correction. He informed me of a
16 meeting with Director Casey.

17 Q And what did he tell you about that meeting?

18 MR. LAZARUS: Excuse me.

19 THE WITNESS: General Secord informed me that he
20 had had a meeting with the director in his office.

21 BY MR. BALEN:

22 Q When would this be, approximately, sir?

23 A In the late spring of 1986. He informed me that
24 the substance of his conversation was to explain the
25 capability of the aircraft that were currently supporting --

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jnu 11

1 these aircraft that were currently supporting the FDN; that
2 they were most suitable aircraft; that the capability would
3 get better; and that they needed the support of the Central
4 Intelligence Agency.

5 Q Now did there come a time in May of 1986 or in
6 the late spring of 1986 that Secord told you that he -- we
7 have to get the operation going so -- keep it flying so that
8 the CIA would pick it up?

9 A General Secord continually stressed the fact
10 that the aircraft were not operating at their maximum
11 efficiency and that we should strive or they should strive
12 harder to fly more and provide more air support in order to
13 improve the image of that capability.

14 Q And was one of the reasons he expressed to you
15 improve the image of the capability to impress the CIA?

16 A Yes.

17 Q And subsequently, sir, in the summer of 1986, did
18 Secord tell you that the CIA did not want to purchase the
19 ATWs because they were tainted?

20 A That is the word ^{he} he used.

21 Q How about the rest of my question?

22 A That is an accurate reflection.

23 Q What did he say he was going to do as a result
24 of the CIA's view on the tainted aspect of these assets?

25 A That they would try to reverse that opinion by

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jm 12

1 the Central Intelligence Agency while at the same time
2 improving the air operations support.

3 Q Did Secord tell you what would be done with the
4 proceeds of the sale?

5 A No.

6 Q Sir, backing up chronologically in time, in or
7 about January of 1986, when you were planning initially to
8 set up the air resupply operations, were you present when
9 Colonel North directed General Secord to generate a list
10 of codes?

11 A Yes.

12 Q What did North say?

13 A Yes.

14 Q What did North say?

15 A Ask General Secord to develop a list of code words
16 to refer to individuals and certain actions.

17 Q What was this code word list in reference to?

18 A Air operational support in Central America.

19 Q Did General Secord subsequently show you a list
20 of codes?

21 A General Secord provided me a list of those codes.

22 Q Did he say who had prepared them?

23 A I think he stated he had prepared those codes.

24 Q I will show you what -- what will be Committee

25 Exhibit No. 4.

Let me ask you if you recognize the document?

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jm 13

- 1 A I recognize this document.
- 2 Q How did you recognize it?
- 3 A This is the list of codes General Secord provided
- 4 to me.
- 5 Q And, in fact, sir, did you not retain a copy of
- 6 this list of codes and provided it to us pursuant to
- 7 subpoena?
- 8 A Correct.
- 9 Q In February, directing your attention to February
- 10 1986, did there come a time when General Secord called you
- 11 in reference to cash for the fuel account for aircraft in
- 12 Central America?
- 13 A Repeat the date, please.
- 14 Q Approximately in February 1986?
- 15 A I believe that is correct. The answer to your
- 16 question is correct.
- 17 Q What did General Secord tell you in regards to
- 18 that?
- 19 A He stated that Colonel North had informed him
- 20 they had an urgent requirement to provide cash, U.S. currency
- 21 to the El Salvadorean Air Force to replenish their fuel
- 22 account?
- 23 Q What was the fuel account?
- 24 A It was an account that had been set up to -- in
- 25 which the C-7, C-123 air crews could purchase fuel from
- El Salvadorean Air Force.

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44

jm 14

1 Q That was the air crews in the air resupply
2 operation?

3 A Yes.

4 Q Did you subsequently follow General Secord's
5 request in that regard?

6 A I did.

7 Q Sir, back to the Jet Star trip in late April,
8 apart from yourself and Colonel North and General Secord,
9 who else was on board that flight that you recall, and
10 apart from the Captain and flight crew?

11 A On the flight to El Salvador, was also Rafael
12 Quinteros.

13 Q On the flight returning home?

14 A And one or two crews members.

15 Q Of course.

16 A On the flight returning, the same individuals
17 plus approximately three of the crew members returning
18 from El Salvador to the United States -- crew members and
19 maintenance personnel.

20 Q Were any crew members present who had
21 participated in the April mission inside Nicaragua?

22 A The air drop?

23 Q Yes, sir.

24 A Yes.

25 Q Who was that?

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jm 15

- 1 A His name was Mr. Ian Crawford.
- 2 Q Did there come a time when Mr. Crawford spoke
- 3 to either you, Mr. North, or General Secord?
- 4 A Yes.
- 5 Q What occurred with that?
- 6 A I asked Mr. Crawford to brief Colonel North on
- 7 the genetics with regard to that air drop.
- 8 Q Did he specify the lethal nature of the cargo on
- 9 the air drop?
- 10 A I don't recall.
- 11 Q Did he brief Colonel North?
- 12 A Yes.
- 13 Q Colonel North had known of the flight prior to
- 14 that briefing, had he not?
- 15 A Yes.
- 16 Q In fact, he had helped to ask for the flight
- 17 to occur; is that not correct?
- 18 A That is correct. Ask me why I know that; please.
- 19 Q How do you know that?
- 20 A General Secord had been communicating to me --
- 21 communicating with me on details regarding that air drop
- 22 and had -- during the course of those communications, had
- 23 made frequent reference to Colonel North.
- 24 Q Referring back to Committee Exhibit No. 3,
- 25 which are your East receipts, are there charges in those

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jm 16

1 East proceeds for the transportation of lethal equipment
 2 to Central America, as well as the construction of the air
 3 field?

4 A Do you have a specific invoice in mind?

5 Q Let me refer you to -- there is a charge for
 6 Hughs, Crawford, and others -- if you look at some of the
 7 other invoices, other pilot expenses -- unconnected, I believe
 8 with the construction of the air strip. Why don't you tell
 9 me?

10 MR. BALLEEN: Let's go off the record.

11 (Discussion off the record.)

12 (Reporter read the record as requested.)

13 THE WITNESS: There are charges in this invoice
 14 for incentive fees for the air crews who fly on that mission
 15 the 9th and the 11th of April.

16 MR. BALLEEN: I have no further questions.

17 Thank you, Mr. Gadd.

18 MR. LAZARUS: May I put a question on the
 19 record?

20 MR. BALLEEN: Sure.

21 BY MR. LAZARUS:

22 Q Mr. Gadd, whenever you talked about matters of
 23 record from your company, is it accurate to say that during
 24 the course of your billing practices, that they were done
 25 in accord with customary billing practices?

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jm 17

1 A Yes. That is correct.

2 Q And that you have satisfied the committee's
3 inquiry with respect to the production of all those?

4 A Yes.

5 MR. LAZARUS: If I may on the record ask whether --
6 ask counsel whether or not -- what the availability is of
7 this deposition in the future? Members of the committee or
8 otherwise?

9 MR. BALLEEN: My understanding is this deposition
10 would be made available to members of the House Committee,
11 members of the Senate Committee, and their staff on an as
12 needed basis.

13 MR. LAZARUS: Is it available to anyone else?

14 MR. BALLEEN: It would not be available to members
15 of the news media, or anyone else other than a copy being
16 provided to you.

17 MR. LAZARUS: It would be available, though,
18 to compulsory process?

19 MR. BALLEEN: No.

20 MR. LAZARUS: It is sealed then, so to speak?

21 MR. BALLEEN: Yes, sir.

22 THE WITNESS: Can we go off the record for a
23 minute?

24 (Discussion off the record.)

25 (Whereupon, at 4:30 p.m., the deposition was adjourned.)

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Committee Hearings

of the

U.S. HOUSE OF REPRESENTATIVES

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1 RPTS SUMIEL

2 DCMN SUMIEL

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4 DEPOSITION OF HENRY ^{HAROLD} ~~HOWARD~~ "HANK" GAFFNEY

5 Tuesday, June 16, 1987

6 U.S. House of Representatives,

7 Select Committee to Investigate Covert

8 Arms Transactions with Iran,

9 Washington, D. C.

10
11
12 The Committee met, pursuant to call, at 9:05 a.m., in Room
13 2203, Rayburn House Office Building, with Joseph Saba,
14 presiding.15 On behalf of the House Select Committee: Joseph Saba,
16 Staff Counsel; Robert W. Genzman, Associate Minority
17 Counsel; Roger Kreuzer, Investigator.18 On behalf of the Senate Select Committee: John Saxon,
19 Associate Counsel.20 On behalf of the Witness: Jerome H. Silber, General
21 Counsel, Defense Security Assistance Agency, Department of
22 Defense.Partially Declassified/Released on 1-15-88
under provisions of E.O. 12356
by N. Menon, National Security Council**UNCLASSIFIED**MARY FERRELL
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23

24

Whereupon,

25

HENRY GAFFNEY

26

having been first duly sworn, was called as a witness

27

herein, and was examined and testified as follows:

28

29

EXAMINATION ON BEHALF OF THE HOUSE AND SENATE SELECT

30

COMMITTEES

31

32

BY MR. SABA:

33

Q Dr. Gaffney, will you please state your full name

34

and your current duties for the record?

35

A ^{Harold} Henry ~~Howard~~ Gaffney, Jr., Director of Plans,

36

Defense Security Assistance Agency.

37

Q Can you please give us a brief resume on career

38

with the Department of Defense?

39

A I entered the Office of the Secretary of Defense in

40

February 1962 as a management intern and have been in

41

various positions in the Office of Secretary of Defense

42

since that time.

43

Q And what is your current position?

44

A My current position is Director of Plans in DSAA, a

45

position I've held since about the 1st of August of 1981.

46

Q Can you please describe for us the organization of

47

the Defense Security Assistance Agency?

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PAGE 3

48 . A Well, DSAA has a Director who is a three-star
49 military officer, a Deputy Director who is a civilian, three
50 major directorates--the Plans Directorate, the Operations
51 Directorate, and the Comptroller--and two special offices, a
52 Congressional Relations Office and a General Counsel.

53 . Q Can you please explain your duties?

54 . A It's not always easy.

55 . The Plans Directorate is sort of the junk shop of
56 DSAA. It has a variety of functions. Our primary role is
57 to participate with the State Department in putting together
58 the security assistance budget to be requested from Congress
59 and to participate in the allocation of those funds when
60 they are appropriated by Congress, and this requires that we
61 prepare all of the testimony of the Secretary and the
62 Director, DSAA, and the associated tasks with that, and also
63 any other presentations.

64 . [Mr. Silber conferring with the witness.]

65 . THE WITNESS: And then I have ~~two~~ have other
66 functions: a Weapons Systems Division, an Organization and
67 Manpower Division, Special Defense Acquisitions and a
68 Support Division.

69 . I think what Jerry was just pointing to was the
70 fact that from time to time both the Director and the Deputy
71 Director have been out of the country at the same time, or
72 out of the city at the same time. I've been sitting in as

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PAGE 4

73 Acting Director of DSAA.

74 BY MR. SABA:

75 2 You mentioned a Weapons Division. Could you

76 explain, is this a division which answers to you or on which

77 you would normally call? How do you relate to that

78 division?

79 A They are under my supervision.

80 2 And what does that division do?

81 A Its major task is to supervise major aircraft sales

82 where there is competition between ~~U.S.~~ two U.S.

83 manufacturers. For instance, they have responsibility now

84 for making sure that the Navy and Air Force and associated

85 contractor presentations to the Koreans, Japanese, United

86 Arab Emirates, the Swiss, are comparable.

87 2 Does that include the Israelis?

88 A ~~We're not in~~ they have not had any involvement with

89 the Israelis because ~~that's been a straight~~ those have been

90 straight sales. I mean like the F-16 was sold before.

91 There's no--

92 2 How does your office relate to the Office of

93 General Counsel?

94 A There is a General Counsel, DSAA, which is a

95 parallel office which we ~~for you know~~ interact with on a

96 daily basis. The General Counsel, in turn, as you know, is

97 part of the--what do we call it, Jerry? ^{Defense} The Legal Services

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98 | Agency.

99 | But we don't deal with them. We deal through him

100 | to any further General Counsel, personnel

101 | Q Him being Mr. Silber--

102 | A Mr. Silber, right.

103 | Q --the General Counsel for DSAA?

104 | A That's right.

105 | Q You reference that one of your duties is to prepare

106 | testimony for the Secretary.

107 | A ~~Um-hum.~~ Yes

108 | Q Does this also include alerting the OSD when a

109 | question of congressional notification may arise?

110 | A That is not my particular responsibility. That is

111 | elsewhere within DSAA.

112 | Q Who would have that responsibility?

113 | A Basically, I think the responsibility is largely in

114 | State because it's the Ambassador who sends in a message to

115 | the whole community announcing that a country proposes a

116 | sale which would meet the thresholds of the legislation, and

117 | then everybody becomes sensitized to it.

118 | THE WITNESS: Is there a particular defined

119 | responsibility for that in DSAA, Jerry?

120 | MR. SILBER: For notification?

121 | THE WITNESS: For detecting which cases are

122 | notifiable.

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123 MR. SILBER: Well, the Comptroller's Office is
124 responsible for the notifications.

125 THE WITNESS: Yes. Our Comptroller Office is
126 responsible for sending the notifications to the Hill when
127 directed to by the State Department ^{through} ~~for~~ the Director of OK X
128 DSAA.

129 MR. SILBER: But they have a responsibility of
130 identifying if there is a particular letter ^{of offer and} ~~Ex-lau for an~~ X
131 acceptance that is being proposed and it is over the
132 thresholds for notification, they are the ones who say:
133 Wait. We can't issue them. We have to notify them.

134 THE WITNESS: Yes, the FMS Program Control Division
135 within our Comptroller Branch.

136 BY MR. SABA:

137 Q All right, let me move on to the issue of FMS and
138 MAP. Exactly what is your role and familiarity with the FMS
139 program? OK X

140 A Well, it's sort of a ~~general~~ general overview of all
141 sales. We keep track of--well, actually our Comptroller
142 keeps track of all the numbers and we basically perform an
143 analytical function or absorb what we need to, to present in
144 testimony.

145 Q When you say numbers, what do you mean?

146 A The Comptroller, as a result of much of the ceiling
147 legislation that was passed in the Arms Export Control Act.

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148 had a responsibility for keeping track of all foreign
149 military sales--FMS.

150 . Q When you say the ceiling, you refer to a numerical
151 qualitative or quantitative or a dollar?

152 . A It was a dollar ceiling. It was around 1977
153 thereabouts. It was around 8 billion at that time. There
154 was a sentiment, and I guess it was unenforceable in the
155 law, that the amount of sales should go down each year in
156 various ~~we~~ had to keep track of the overall sales to make *Q*
157 sure that the ceiling was ~~not~~ observed. *X*

158 . Q Would it be your duties to keep track of those
159 sales?

160 . A No, it is not my duty.

161 . Q Would you be normally familiar with the numbers of
162 weapons that we have provided to the various countries?

163 . A It's not my responsibility but I can find out at
164 any time.

165 . Q Would it be your responsibility to maintain
166 knowledge of the dollar value in any given fiscal year of
167 the weapons being transferred to another country?

168 . A As a responsibility, no, I don't have that
169 responsibility. As a general analytical function, we do
170 keep track of those things.

171 . Q Would it be your responsibility to monitor
172 transfers by transferring countries of weapons provided

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173 under the FMS/MAP program?

174 . A No, it is not our responsibility. It is not my
175 responsibility and it is not the Plans Directorate
176 responsibility.

177 . Q Whose responsibility would that be?

178 . A That's very unclear. That question has come up a
179 number of times. I mean, I'm not sure you could point to
180 any place in the law which says that so-and-so shall monitor
181 all intelligence and all embassy reporting to assure that
182 there is no third country transfers. I think the, as I
183 remember the law ~~but I would have to figure that run of the~~
184 ~~law~~ section 3(d) of the Arms Export Control Act requires
185 notifications and--

186 . Q Who makes that notification? Is that the
187 responsibility of the President or the State Department?

188 . A The responsibility for notification lies in the
189 State Department.

190 . Q Maybe we can make the situation clear by running
191 through a hypothetical example. What I'd like to run
192 through would be a hypothetical example on a transfer of
193 Hawk missiles by the United States to Israel.

194 . A Um-huh^h.

195 . Q And I'm making reference in the abstract, not to
196 any of the events with which we are immediately concerned.

197 . A Um-huh^h. Um-huh^h.

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198 . Q I would like for the sake of the record and our
 199 members to get a clear picture of how this is done. If you
 200 would run through with us how Hawk missiles might be
 201 transferred to Israel with a view to the period that we're
 202 concerned with.

203 . MR. SILBER: This is to Israel, by Israel?

204 . THE WITNESS: Transferred to Israel is what you
 205 said, right?

206 . BY MR. SABA:

207 . Q Transferred from the United States to Israel.

208 . A Yes. Okay.

209 . Well, there was a real case. They requested the
 210 sale of 100 Hawk missiles back in 1982. This request comes
 211 through--

212 . Q Excuse me. That example would be a good one.

213 . A Yes.

214 . Q If you would explain to us how that is dealt with.

215 . A This request comes through official channels to the
 216 State Department, let's say, in this case. Assuming that ~~the~~ ^d
 217 the Israelis ~~has~~ not gone through the preliminary stages of ~~the~~ ^d
 218 asking for price and availability data before they made ~~the~~ ^d
 219 their request, ~~we have to~~ the State Department has to-- ~~the~~ ^d

220 . Q Excuse me. If I can, I want to take this very
 221 slowly and very precisely--

222 . A Um-huh.

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223 . Q --going step by step.

224 . There comes a time in Israel--

225 . A Um-hum.

226 . Q --where somebody, and I'd like to identify who,

227 decides they want Hawks, and that someone writes a piece of

228 paper and gives it to somebody.

229 . A Um-hum.

230 . Q I'd like to walk that piece of paper all the way

231 through until one day Israel has a Hawk in its inventory.

232 . A Okay. First of all--

233 . Q And where you can--

234 . A Yes.

235 . Q --in this period and using that example, if you

236 would not only name the title of the person, but if you

237 recall the name of the person who would also be involved it

238 would be useful.

239 . A Yes. That's hard for me to say because, remember,

240 the Hawk system as such was sold ^{earlier} to the Israelis, ~~later~~ was *OK*

241 available to them in the 1973 war, so it was sold to them

242 probably sometime between '67 and '73.

243 . MR. SILBER: This is your basic.

244 . THE WITNESS: This is the basic Hawk system, ^{with} ~~when~~ *OK*

245 it's radars, it's launchers, it's control vans, and things

246 like that.

247 . BY MR. SABA:

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248 . Q. That was sold--the basic Hawk was sold when?
249 . A. Presumably, I think, somewhere between '67 and '73,
250 but I don't know to be precise.
251 . Q. Do we keep track of how many basic Hawk missiles
252 Israel maintains in its inventories?
253 . A. No. ~~Because we~~ we keep track of what we sold them
254 what we produced in this country and then sold them, but we
255 don't have access to their warehouses to find how many they
256 have expended.
257 . Q. And do they report as to how many they have
258 expended and what remains in their inventories?
259 . A. No. No. There's no responsibility under the law
260 for them to do so whatsoever.
261 . Q. After '73 did there come a time when the basic Hawk
262 was modified into something else?
263 . A. Well, the Hawk, yes. I don't know whether it was
264 Improved Hawk, I-Hawk as it's known, ^{which} was sold to them in the
265 first place, I have no idea, or whether it became Improved
266 Hawk later on. Most of those modifications, as I take it,
267 take place in the control vans and the radars and all. And
268 you would probably find--you could probably go to our
269 computer and check out all the cases having to do with Hawk
270 for Israel since the initial purchase and you would probably
271 find several cases each year for various modifications, for
272 spare parts, for other supplies associated with the system.

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273 . In other words, when a system enters the Israeli
274 system, we support it, we say. They enter support
275 agreements with us to get a continual flow of the spare
276 parts they need.

277 . Now the missiles, themselves, are a different
278 matter. Most of those missiles, as I understand it, without
279 being an expert on the system, are what people call wooden
280 rounds. They've been adaptable to most of the various
281 launcher improvements in the system and they can be stored
282 for a long time until they're needed for use.

283 . Now, for whatever reason, Israel decided that it
284 needed to buy 100 more Hawk missiles in the early '80s.

285 . Q Let me go back. I'm trying to decide, trying to
286 determine the difference between what we call basic Hawk and
287 I-Hawk.

288 . You would have to get the Army experts over here,
289 and by the time they finished you would be thoroughly
290 confused.

291 . Q Are you saying that--

292 . Especially when you get into PIPS I, II and III.

293 . Q Focusing on the missile itself, as opposed to the
294 support system--the vans and the radars for the missiles--

295 . A Yes.

296 . Q Focusing on the missiles themselves, is there a
297 difference--is there a substantial difference between what is

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298 called the basic Hawk missile and the I-Hawk--
299 . A I don't know.
300 . Q --missile?
301 . A I just heard through the grapevine that the missile
302 hadn't changed much through all the years.
303 . Q And you mentioned that basic Hawks were brought
304 into Israel periodically or at some point between 1967 and
305 '73.
306 . A Well, I assumed they made some large purchase of, I
307 think it's roughly 22 batteries. Maybe it's 11. You know,
308 some number like that.
309 . Q And between 1973 and 1982, do you recall what the
310 Israelis obtained?
311 . A No.
312 . Q Do you recall, in the period between from 1967
313 until 1980, what the Iranians obtained?
314 . A Yes, as a matter of fact. ~~(I'm curious--I came across~~
315 ~~a word in this process)~~ I had occasion to check out that
316 fact and I have a tiny note here which said that we had
317 delivered, presumably across the life of the program, 1442
318 Hawk missiles and 360 of them--360 additional Hawk missiles
319 had been bought by Iran, but when the Shah collapsed those
320 were diverted to other customers.
321 . MR. SILBER: Tell them what you're reading from.
322 . BY MR. SABA:

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323 . Q Yes. Could you tell us what you are reading from?
324 . A Just from my own handnotes dating back to November
325 '85.
326 . Q These are notes which you prepared for this
327 deposition?
328 . A No. These are notebooks that I keep sort of as I
329 go along in my work.
330 . Q So these are notes kept in the normal course--
331 . A Yes.
332 . Q --of your work?
333 . A Yes.
334 . Q Were these notes made contemporaneous with the
335 transfers of weapons?
336 . A This was the note that came up in this particular
337 case having to do with the transfer of Hawk missile--possible
338 transfer of Hawk missiles to Iran in connection with the
339 hostages.
340 . Q All right. We'll come to that--
341 . A Yes.
342 . Q --but at the moment I want to remain focused a bit
343 on the pre-1980 period.
344 . A Um-hum.
345 . Q Obviously, what I'm trying to determine is the
346 compatibility of the Israeli system and missiles with those
347 in the possession of the Iranians through the late 1970's.

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348 . A I would have no idea. It's not within my
349 responsibility ~~and~~ and I'm not privy to that information. *dx*
350 . Q All right. In terms of the 360 additional Hawks
351 which were ordered and paid for by the Iranians but not
352 delivered by the United States--
353 . A Um-huh.^h
354 . Q Do you recall what type of Hawks they were?
355 . A No.
356 . Q Could they be described as I-Hawks, or is it that
357 you don't know?
358 . A These were just missiles. As a matter of fact, I
359 had gotten a printout at the time of all this business ~~and~~ *gn*
360 ~~and~~ of the Hawk missiles, per se, not batteries, not other
361 associated equipment that we had sold.
362 . Q Were these missiles distinguished as--
363 . A Not that I could tell.
364 . Q --basic or I-Hawks?
365 . A Not that I could tell from the printout. Never
366 identified it one way or another. Which leads one to
367 believe that possibly there's no great distinction.
368 . Q All right. There came a time, then, in 1982, when
369 the Israelis made a request for additional Hawk missiles.
370 . A Um-huh.^h
371 . Q Could you please tell us in as much specificity and
372 detail as you can what that process was commencing with the

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373 initial Israeli request? Who made it? And to whom was it
374 made?

375 . A I don't know any of the details. I can only
376 hypothetically construct it according to the way people
377 usually make these requests.

378 . Q That's fine.

379 . A The Israelis, and it would ~~have to be the~~ it would
380 presumably be the Ministry of Defense or their agents--could
381 be their purchasing office in New York, it could be their
382 mission in ^{Washington} or it could be their Ministry of Defense in Tel
383 Aviv--would make a request to an official representative of
384 the U.S. Government.

385 . Q And what agency would that be?

386 . A It should be the State Department. And the State
387 Department--let us say that the message originated from Tel
388 Aviv, from the embassy there, which said the Israelis are
389 making a request for 100 Hawk missiles; and the State
390 Department has a regular format that they follow when a
391 country makes a request like this which covers most of the
392 categories that are required by an eventual 36(b) notice.
393 In other words--

394 . MR. KREUZER: Excuse me.

395 . THE WITNESS: --it's key^{ed} to the section 36(b) of the
396 AECA.

397 . BY MR. KREUZER:


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398 . 2 The message would go from Tel Aviv to the State
 399 Department? Is that what you're saying?
 400 . A From the embassy. Our embassy.
 401 . 2 From the U.S. embassy?
 402 . A U.S. embassy. The U.S. Ambassador, who, of course,
 403 is the only--
 404 . MR. SAXON: If it had been sent to the U.S.
 405 Ambassador--
 406 . THE WITNESS: Yes.
 407 . MR. SAXON: --by the Israeli government, it wouldn't
 408 have to go that route.
 409 . THE WITNESS: One way we see requests from the
 410 Israelis come to us is they may send us a letter.
 411 . MR. SILBER: From New York.
 412 . THE WITNESS: From New York. From the purchasing
 413 office in New York.
 414 . MR. GENZMAN: Who is "us"? 
 415 . THE WITNESS: To DSAA. ~~EST~~ ^{from} the ones I see mostly
 416 now on an incidental basis are those requesting the
 417 application of credit funds to commercial contracts that
 418 they are concluding.
 419 . BY MR. SABA:
 420 . 2 If the request for Hawks was originated by the
 421 Israeli purchasing office in New York, to whom or to which
 422 office would that letter go?

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423 . A I don't know. They could take it direct to the
 424 State Department or they could take it direct to DSAA. In
 425 any case, then DSAA would pass it to State, and State would
 426 pass it to DSAA.

427 . Q What would State do with the request?

428 . A It would probably pass it to DSAA for action.

429 . Q All right. But let's go slower.

430 . Presumably State is more than a mailbox and someone
 431 with responsibility at least reads it and determines to take
 432 some kind of action, other than merely forwarding it, unless
 433 I'm wrong.

434 . A No, that's right. Most of these kind of things
 435 would come to us from the Office of Political ^{ES} and Military ^{OK}
 436 Affairs in the State Department. It may be that the Bureau
 437 or NEA would send it over to us, but generally I think they
 438 probably would send it over to ^{Pol-Mil} ~~State~~, which would, in
 439 turn, forward it to the Defense Department in some way,
 440 although I cannot ever remember seeing a particular piece of
 441 correspondence which said, now, here's a request.

442 . Q Do you know what substantive action, if any, the
 443 State Department takes on receiving a request?

444 . A ~~I think they~~ I don't know what process they have to ^{OK}
 445 go through a scrutiny of each individual request.

446 . Q Do they make a recommendation on sending the
 447 document to DSAA?

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448 A Not that I ^{know} I've just not seen any correspondence
449 that relates to that.

450 MR. SILBER: There's a screening process involved.
451 If they ask for something which is well beyond their
452 sophistication or their technology or what not, or something
453 that's nuclear capable or something like that, they probably
454 would not forward it.

455 THE WITNESS: Yes. I mean, State can squelch any
456 request it wants. In fact, there are various requests that
457 come in--let me see if I can think of a case. Well, since
458 the issue is pretty well over now, there was ^a question of
459 whether we should sell [REDACTED]

460 [REDACTED]
461 [REDACTED]
462 Usually, they are not immediately asking for a letter of
463 offering; they are probing the United States with various
464 diplomatic messages to find out whether we have a
465 disposition to sell.

466 And then the Office of Political Military Affairs
467 would ~~enter this process~~ they go up the chain to the Under Secretary
468 for Security Assistance, Science and Technology, and they
469 might send a decision paper as to how do we ~~enter this process~~ ^{you know how}
470 enter this process? Should we convene an interagency
471 group to discuss it? Should we send a reply now saying it's
472 out of the question? Or should we ask DOD merely to process

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~~later~~

473 the request and provide us, or prepare a ~~later~~ request? *g*

474 . BY MR. SABA:

475 . Q Focusing on a Hawk request--

476 . A Yes.

477 . Q --from Israel, assuming that the request came in in *g*

478 1982 and the State Department would then forward ~~it~~ that *X*

479 request from the Israelis~~x~~ to DSAA.

480 . A Um-hum.

481 . Q Would the State Department normally make an

482 affirmative recommendation or is the forwarding of that

483 request to you, in effect, a recommendation to move forward?

484 . A No, I haven't been in on any specific cases, but where

485 a country has the existing system and already has an

486 inventory of such missiles it is treated in an absolutely

487 routine fashion, except as it triggers a notification

488 requirement to Congress. If Defense takes a look at it and

489 if State has not otherwise noticed--

490 . Q Excuse me. Let me go backwards slowly.

491 . A Yes.

492 . Q State has the piece of paper. What is your

493 understanding as to what State would do if State made a

494 determination that notification were required? State has

495 the paper first.

496 . A Yes.

497 . Q Is it your understanding State has--you indicated



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498 earlier that you thought State had the initial
499 responsibility for making a determination as to
500 congressional notification?
501 . A Um-hum. Um-hum. 
502 . Q Is that your understanding?
503 . A Yes. ~~Even it's~~ That would be my understanding.
504 I mean, assuming they had a rough idea of the cost, and 100
505 Hawk missiles is very likely to be in that category.
506 . Q Do you recall roughly in 19--the period '82 to '85,
507 what a Hawk missile cost in rough terms?
508 . A Yes. About 300,000 a copy.
509 . Q Each?
510 . A Yes.
511 . Q So assuming there was a request for 100 Hawk
512 missiles that would come into the State Department, is it
513 your understanding that that would trigger a notification
514 requirement?
515 . A ~~Yes~~ Yes. 
516 . Q And are you familiar with the basis for that
517 notification requirement?
518 . A You mean the--
519 . Q The legal basis.
520 . A A legal basis. Yes, as contained in section 36(b).
521 . Q What is your understanding of 36(b)?
522 . A It says if it's \$14 million or more of significant

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523 military equipment or 50 million or more of any kind of
 524 military goods and services and--what was it?--\$200 million
 525 worth of construction services would require that before a
 526 letter of offer can be issued to the country that various
 527 officers of the Congress must be notified and it must ^{Sit} set up
 528 there for 30 days.

529 . Q All right. Turning to our example, the case of a
 530 1982 Israeli request for Hawks, presumably that request went
 531 through the State Department, there was a notification
 532 requirement triggered by the value--

533 . A Um-huh.

534 . Q --and then that determination is made by State and
 535 they forward the request to DSAA.

536 . A Um-huh.

537 . Q Would the State Department in forwarding that
 538 request indicate what determination, normally indicate what
 539 determination it had made in respect to congressional
 540 notification; and would it recommend as to who would make
 541 that notification?

542 . A Well, since DSAA routinely prepares and sends up
 543 those notifications, then they would say to DSAA ~~prepare the~~
 544 prepare the notification.

545 . Q So it would be your office, DSAA--

546 . A Um-huh.

547 . Q --which would prepare the notification?

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548 . A Yes.

549 . Q Who in DSAA would do that?

550 . A Within the Comptroller, the FMS Control Division.

551 . Q The FMS Control Division?

552 . A Yes.

553 . Q In 1985, who would that have been?

554 . A ~~Yes~~ I think it was Ron Malachowski at that time. *JK*

555 . Q Ron?

556 . A Spelled "Mal-a-chow-ski."

557 . MR. SILBER: M-a-l-a-c-h-o-w-s-k-i.

558 . BY MR. SAXON:

559 . Q Dr. Gaffney, let me clarify one point about section

560 36(b).

561 . A Um-hum^h.

562 . Q You said a moment ago that various Members of

563 Congress have to be notified and then there is a 30-day

564 period it has to wait.

565 . A Um-hum^h.

566 . Q That 30 days can be waived; is that correct?

567 . A In an emergency that can be waived, but the

568 Congress has to be notified of the waiver.

569 . MR. SILBER: The waiver has to be done by the

570 President, of course.

571 . THE WITNESS: Yes.

572 . BY MR. SAXON:

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573 . Q Okay. But the requirement of notification itself
 574 cannot be waived; is that correct?

575 . A That's right.

576 . MR. SAXON: ^hTank you.

577 . BY MR. SABA:


578 . Q DSAA, then, would prepare the notification, and who
 579 would actually deliver that to Congress?

580 . A Daisy Walker.

581 . Q And what is her title?

582 . A She's Administrative Assistant in our Congressional
 583 Relations Office.

584 . Q So this would be a piece of paper--

585 . A Yes. It's a series of letters signed by the 
 586 Director, DSAA, to ^{the} Speaker of the House, et cetera.

587 . Q And presumably, in the case of the '82 request from
 588 Israel, these procedures were probably carried out?

589 . A Yes.

590 . Q Was there any particularly unusual about that 1982
 591 request from Israel?

592 . A I would suspect not. I remember it appearing on
 593 lists of the things that the Israelis were buying about that
 594 time and it seemed perfectly logical.

595 . Q And in respect of that 1982 request by Israel, what
 596 happened after it was received by DSAA? Notification is
 597 sent to the Congress and then what?

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598 . A It presumably passed the 20-day informal and a 30-
 599 day formal notification period without any inquiry by
 600 Congress. And then the LOA ~~would have been~~ which had been
 601 prepared before would have been issued to them, probably
 602 delivered by DSAA to a representative of their New York
 603 purchasing office.

604 . Q And then what happens?

605 . A They go over the terms of the LOA. If they're
 606 happy with it, they sign it--pardon?

607 . MR. SILBER: They, the purchaser.

608 . THE WITNESS: The purchaser, yes. ~~The Israelis~~
 609 ~~would have by the way, we have to~~ the U.S. military service
 610 with the system, in this case the Army, would prepare that
 611 LOA for us. DSAA must countersign it. We check over the
 612 terms and we countersign it, and then we issue it to the
 613 country's representative.

614 . The country then examines it; if they agree with
 615 the terms they, in turn, sign it. That represents a
 616 contract between the country and the U.S. Government which
 617 permits the U.S. Government to go out and contract for the
 618 missiles on behalf of the country.

619 . BY MR. SABA:

620 . Q All right. In the case of Israel, would this
 621 normally be the Israeli purchasing office in New York City?

622 . A I don't know. I don't know who is entitled to sign

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623 off on these LOA's. It could very well be the New York
624 purchasing office.

625 Q All right. So the LOA prepared by the Army,
626 countersigned by DSAA, goes to the authority of the Israeli
627 government authorized to accept the LOA?

628 A Yes.

629 Q And is it your understanding that upon the signature
630 of the authorized Israeli person this becomes a binding
631 contract between the United States and Israel as to those
632 weapons?

633 A Yes. Not in all of its details. I mean, it is not
634 a contract, because we have to turn around and, in turn,
635 make a contract with the manufacturer. It is a binding
636 agreement--

637 Q Understand. Let's continue.

638 And you, in turn, turnaround and make an agreement
639 with the contractor?

640 A Yes.

641 Q And the United States Government obtains the Hawks?

642 A That is correct.

643 Q Could it be that these Hawks would be in the
644 inventory of the United States?

645 A We could sell them from stock, yes.

646 Q So the choice then is either go to the
647 manufacturer--

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648 . A Yes.

649 . Q --in the case of weapons that you don't draw from
650 stock--

651 . A Yes.

652 . Q --or you could go directly to stock?

653 . A That's right.

654 . Q And at what point do we have a binding contract
655 with the Israelis with all the terms and conditions fixed?

656 . A ~~That I would say~~ If we are getting it from
657 production, we have a binding contract between the producer
658 or manufacturer and the U.S. Government as soon as they sign
659 the contract for production--

660 . Q My concern is between the United States Government
661 and the government of Israel. I'm looking for a binding
662 contract.

663 . A The LOA is a binding contract, except we get to
664 change the terms all around if we please. I mean, the costs
665 in there have to be rough. You cannot commit yourself that
666 this is exactly the cost that the manufacturer is going to
667 come up with when they sit down to negotiate a contract.

668 . Q I understand. But what you're saying is I have a
669 contract--

670 . A All other terms in there are we promise to deliver
671 these things and to--to buy them and to deliver them and to
672 assure their quality, and that kind of stuff.

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673 . Q Let me say I want to get a clear record on this
674 point. At the point at which the Israeli-designated
675 representative signs the LOA I have a binding agreement
676 between the United States and the government of Israel for
677 the provision of certain weapons by the United States to
678 Israel.

679 . A Right.

680 . Q This document contains essentially all the terms
681 and conditions subject to certain conditions subsequent
682 usually having to do with matters of price.

683 . A Yes.

684 . Q Would that--

685 . MR. SILBER: And delivery time.

686 . MR. SABA: He says correct.

687 . BY MR. SABA:

688 . Q And delivery time, is this correct?

689 . A Yes.

690 . Q Would that document signed--the LOA signed by the
691 United States and by the designated Israeli person contain a
692 condition regarding the transfer of those weapons by the
693 Israelis to any third party?

694 . A Yes. That's standard to the LOA.

695 . Q And what is that provision?

696 . A I'm not familiar with it. I mean, Jerry would know
697 better since he--

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698 . Q But you would describe this as a term which is
699 printed on the form of the contract?

700 . A As far as I know, yes.

701 . Q And is that generally subject to change after the
702 LOA has been signed?

703 . A No.

704 . Q All right.

705 . A I can't imagine why anybody would change it.

706 . Q What do you recall--other than the specific language
707 of that provision, do you recall the general thrust or the
708 substance of that provision?

709 . A The general thrust is that the country needs the
710 approval of the United States Government before it can
711 transfer this to any third party.

712 . Q So that in the case of--

713 . A And generally--I don't know whether it's in the LOA
714 or the way we do it is that the country in selling it to
715 that third party in turn presents a further restriction on
716 third-party or fourth-party sales by that recipient country.

717 . Q So your understanding is that there is a standard
718 provision in the agreement between the United States--and
719 we'll stay with our Israeli example--and Israel, that upon
720 receiving the weapons Israel agrees, as a condition of
721 receiving these weapons, that it will not transfer these
722 weapons to any third party without the advance--

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723 . A Express approval.

724 . Q --express advance approval of the United States; is

725 that correct.

726 . A That's how I understand it. I think that's the

727 thrust of it.

728 . Q Am I correct when I say the word "advance"

729 approval?

730 . A This I don't know.

731 . Q All right.

732 . A But I would assume it.

733 . Q All right. We can check the contract documents.

734 . A Yes.

735 . Q Is it your understanding generally that further to

736 that condition is a requirement that conditions of transfer

737 be imposed by Israel on the third-party transferee--

738 . A Yes.

739 . Q --according to that agreement?

740 . A I know that's a standard practice. Whether it's

741 also reflected in the LOA, I don't know.

742 . BY MR. SAXON:

743 . Q Let me follow up. One more question, Dr. Gaffney.

744 . Is it your understanding that that approval by the

745 United States has to be given in writing? Am I correct in

746 stating that the contract expressly includes that language?

747 . A I don't know.

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748 . Q One additional point. LOA stands for what?

749 . A Letter of offer and acceptance.

750 . Q In essence, though, it is an offer by the United

751 States Government to sell to the recipient country?

752 . A Yes.

753 . BY MR. SABA:

754 . Q I want to continue essentially the same line,

755 though.

756 . Are you familiar with the circumstances, in the

757 abstract, by which consent for a transfer can be given?

758 What is the procedure, assuming Israel took those Hawks

759 shortly thereafter and then desired to transfer them to a

760 third country? Are you familiar with the procedure?

761 . A Yes. What I've seen in the message traffic is like

762 [REDACTED] sold [REDACTED] to [REDACTED] a few months ago.

763 We send out to the [REDACTED] a sample letter saying here is

764 the letter we request you get the [REDACTED] to sign

765 when they receive [REDACTED]

766 . Q Can I interrupt a moment, because the record would

767 seem to indicate that they sold it first and then we did

768 something? I want to--

769 . A No. There was agreement to sell. That they came

770 to us.

771 . Q Okay.

772 . A They found a customer and they came to us and said:

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773 | May we go through with this third-party transfer?
774 | . Q So before any transfer the government of [REDACTED]
775 | came to the Government of the United States?
776 | . A That's right.
777 | . Q And correct me if I'm wrong. And the government of
778 | [REDACTED] said to the United States: We have received
779 | [REDACTED] pursuant to an FMS/MAP program and we now wish to
780 | transfer some quantity of these weapons to a third party.
781 | . A Um-huh.
782 | . Q So they requested, pursuant to that agreement with
783 | us, consent.
784 | . A Um-huh. Um-huh.
785 | . Q What happens when [REDACTED] requested consent? How
786 | does the United States respond to that?
787 | . A What I have seen is in the cable traffic. We send
788 | out a message saying yes, we consent to this transfer and--
789 | . Q Who is 'we'?
790 | . A We, the United States Government.
791 | . Q How does the United States Government express
792 | itself? Is this the Department of State? Is this yourself?
793 | . A Well it's a cable out from the Department of State.
794 | We don't send it ourselves.
795 | . Q All right. Again, I'm trying to get it very
796 | precise.
797 | . A It's State cable, signed by the Secretary of State.

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798 . Q So the request from [REDACTED] goes to the State
799 Department?

800 . A Yes, I guess it does.

801 . Q And the State Department is the agency authorized
802 by the Arms Export Control Act--correct me if I'm wrong.

803 . A As far as I know.

804 . MR. SILBER: No. It's executive order.

805 . BY MR. SABA:

806 . Q All right. By an executive order to grant that
807 consent to [REDACTED] to transfer the missiles, is your office
808 involved in that procedure?

809 . A I assume so, but I don't know because I'm not
810 personally in that loop.

811 . MR. SAXON: Let me see if I can clarify this point
812 for the record, and ask Jerry Silber to respond. Jerry, am
813 I correct in saying that the Arms Export Control Act gives
814 the President the authority to approve a third-party
815 transfer?

816 . MR. SILBER: Yes.

817 . MR. SAXON: And that the President, by executive
818 order, has delegated that authority to the Secretary of
819 State?

820 . MR. SILBER: Yes.

821 . MR. SAXON: Thank you.

822 . BY MR. SABA:

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823 Q All right. In granting that consent, are there any
 824 restrictions that you are aware of that are imposed on the
 825 President and, through the President, the Secretary of State
 826 in granting consent to [REDACTED]? Is it entirely discretionary
 827 with the President?

828 A I don't know. I mean, all I've seen is extracting
 829 ~~the~~ the third-party nontransfer agreement from the
 830 recipient country.

831 Q Suppose the intended recipient country was one of
 832 those countries on a list of countries which is a considered
 833 to be a country aiding and supporting terrorism?

834 A For which there is, in other words, a current law
 835 or determination which prohibits sales to that country, or a
 836 policy; yes.

837 MR. SABA: For the sake of clarity, and although
 838 Mr. Silber has not been sworn as a witness, he is present;
 839 and presuming he consents to answer a few questions as to
 840 legal points, I'd like to get his statement on the record.

841 MR. SILBER: Of course.

842 MR. SABA: And we do appreciate it.

843 Jerry, obviously, this is an important point to us.
 844 And using the example that we're now looking at in which
 845 [REDACTED] sold [REDACTED], I think that we have a record now
 846 in which [REDACTED] has requested the United States to permit a
 847 transfer of [REDACTED] to [REDACTED]. That request has

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848 gone, presumably, to the State Department. The Secretary of
849 State is empowered by an executive order of the President,
850 pursuant to the President's authority under the Arms Export
851 Control Act, to consent to that transfer.

852 . MR. SILBER: Correct.

853 . MR. SABA: Changing the facts slightly, and let us
854 presume that the intended transferee was Iran.

855 . MR. SILBER: You make it easier.

856 . MR. SABA: I make it easier.

857 . MR. SILBER: We have certain policies on
858 restrictions of transfers to [REDACTED], by policy, right
859 now.

860 . MR. SABA: I suspected as much, and therefore I
861 don't want to learn about [REDACTED] I, obviously, want
862 to learn about Iran.

863 . Could you explain to us--and we might as well focus
864 the time period.

865 . MR. SILBER: All right.

866 . MR. SABA: And we will focus it on the fall of
867 1985.

868 . MR. SILBER: Right.

869 . MR. SABA: In a case where a nation wished to
870 transfer something like a Maverick or a Hawk to Iran, in
871 1985, what were the legal procedures pertaining to such a
872 transfer?

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873 . MR. SILBER: Well the law says that the President
874 may not consent to a transfer to a third party--whether it be
875 a third country or a private individual, it is third party
876 transfer--if the United States, itself, would not have
877 transferred those weapons systems directly.

878 . MR. SABA: Is the law you're referring to your Arms
879 Export Control Act?

880 . MR. SILBER: I'm sorry?

881 . MR. SABA: The law to which you refer--

882 . MR. SILBER: Yes.

883 . MR. SABA: --is the Arms Export Control Act?

884 . MR. SILBER: Section 3(a), last paragraph, of the
885 Arms Export Control Act. So that if we had either a law or
886 a public policy, announced policy, whereby we would not
887 ourselves transfer to Iran a particular weapons system, then
888 the President is by law prohibited from granting his consent
889 to another country who has received or purchased those
890 weapons systems originally to transfer to Iran.

891 In addition, the law says even if we, ourselves, would
892 transfer it, the law says that before the consent is given
893 the transferee country must give written assurances to the
894 United States Government--the recipient being the State
895 Department, in fact--that it will not further transfer to a
896 third country.

897 . MR. SABA: These are written assurances in advance

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898 of the transfer?

899 . MR. SILBER: I believe in advance. And the
900 assurances do not go to the transferor country but rather
901 directly to us. So that in the case of Iran, if we had no
902 public policy or law against transferring particular weapons
903 systems to Iran in the fall of '85--

904 . MR. SABA: If Iran were, let's say, a "vanilla"
905 country.

906 . MR. SILBER: A "vanilla" country is adequate.
907 All right. We would still have to go to the government of
908 Iran and ask for assurances that if we had consented to, in
909 this case, say, Israel transferring those systems to Iran
910 that Iran will not transfer to any other third party without
911 our prior written approval unless it was first
912 demilitarized.

913 . MR. SABA: And I take it that in the fall of 1985
914 there were restrictions as to what the United States would
915 directly, or could directly transfer to Iran.

916 . MR. SILBER: The restrictions are not as clear as
917 people would normally assume. There were prohibitions on
918 making sales to countries that harbor terrorists, and I
919 believe there is a serious question as to whether Iran fit
920 in that category. It is not that they--the law, as I
921 understand it, does not prohibit Iranian, or prohibit sales
922 to a country that instigates terrorism outside its borders.

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923 | which appears to be clearly the case in the case of Iran and
 924 | Lebanon, for example, but rather, if international
 925 | terrorists are granted sanctuary from prosecution in Iranian
 926 | territory, and that is something which is not clear to me as
 927 | I'm not privy to intelligence reports. But at least it's a
 928 | working assumption that there was a problem with legally
 929 | transferring weapons systems to Iran.

930 | . MR. SABA: In regards to the terrorist restriction,
 931 | do you recall the statute?

932 | . MR. SILBER: At the time I think it was section
 933 | 3(f) of the Arms Export Control Act.

934 | . MR. SABA: Is there any list of countries
 935 | supporting terrorism--

936 | . MR. SILBER: Yes.

937 | . MR. SABA: --by which a determination at that time
 938 | might be made?

939 | . MR. SILBER: Yes. Under the Export Administration
 940 | Act of 1979 there is a list of countries supporting
 941 | terrorism that that law requires be supplied, I believe, by
 942 | the State Department, and I think it's published in the
 943 | Federal Register and notified to the Congress; and I believe
 944 | Iran was on that.

945 | . The effect of that is not clear to me because the
 946 | Export Administration Act of 1979 does not deal with weapons
 947 | ^{articles of} or military use only. However, there was a clear policy.

EX 9k

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JAS
X

948 ~~think~~ If there's no question in my mind about that. The
949 President and the Secretary of State and the Secretary of
950 Defense had announced well before 1985 that we were not
951 selling arms to Iran. We publicly encouraged third
952 countries not to sell arms to Iran.

953 . MR. SABA: Was this called Operation Staunch?
954 . MR. SILBER: There was something in the executive
955 branch, at least, called Operation Staunch, which was a
956 campaign to limit the flow of arms I think to Iran and Iraq.
957 But our policies, which section 3(a), last paragraph, also
958 invoke as well as laws against selling to Iran--our policies,
959 indeed, are from two factors: One, the aftermath of the
960 hostage release in 1981, with various executive orders ~~under~~ 9A
961 Trading With The Enemy Act and the International Emergency
962 Economic Powers Act; and, also, the announced neutrality
963 between Iran and Iraq that the United States has assumed
964 since its outbreak in--before 1980?

965 . THE WITNESS: Um-hum.

966 . MR. SILBER: 1980. So we had two policies it seems
967 to me that were quite generally known that would have had
968 said that we would not sell weapons systems to Iran. There
969 were several laws that had to be consulted to see if it
970 actually was prohibited or not. It's not clear to me that
971 it was prohibited.

972 . But in any event, the upshot of it is that under

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973 section 3(a), last paragraph, of the Arms Export Control Act
974 the President could not or his designee could not consent to
975 a transfer by any third country of weapons that were sold
976 under the Foreign Military Sales Act and the Arms Export
977 Control Act. Just could not.

978 . MR. SABA: To Iran?

979 . MR. SILBER: Could not to Iran, yes.

980 . MR. SABA: Was there any way, waiver, notice,
981 mechanism, that would permit the President, assuming he met
982 certain conditions, to effect that transfer?

983 . MR. SILBER: If the particular weapons systems that
984 are to be transferred had an original acquisition cost of
985 \$14 million or more, if it's major defense equipment, which
986 Hawk missiles are, or the other thresholds that were
987 referred to in connection with section 36(b) were met,
988 before the President consent to the transfer, if these
989 assurances are received from the transferee, he could have
990 the State Department notify the Congress under section 3(d)
991 of the Arms Export Control Act and he could announce that he
992 is changing American policy on selling to Iran, and that we
993 ourselves would do it and therefore he sees no reason why he
994 ought not to be able to consent to another country selling
995 with our consent. That is assuming that there is no legal
996 prohibition.

997 . If the legal prohibition is found in executive

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998 orders or lists of terrorist countries, then, obviously,
 999 these documents have to be revised in accordance with the
 1000 authority under which they were promulgated. If ~~it were the~~ ^{there was a}
 1001 flat prohibition in the law against sales to Iran, he would,
 1002 of course, have to ask for an amendment of the law by the
 1003 Congress.

1004 . But there is a procedure for changing the
 1005 application of these laws in a public, politically
 1006 responsible manner.

1007 . MR. SABA: What if the weapons aggregated are less,
 1008 in value less than \$14 million?

1009 . MR. SILBER: Then there would be no requirement for
 1010 prior notification to the Congress. If he wanted to adopt a
 1011 different public policy, and if that were the only thing
 1012 that were the bar to the consent, then he could announce a
 1013 different policy. It would not necessarily have to be in
 1014 reference to that particular proposed transfer. He could
 1015 just say, on the advice of my cabinet, for example, I have
 1016 decided that we should adopt a pro-Iranian stance in the
 1017 Iran-Iraq War and we should be prepared to consider requests
 1018 on a case-by-case basis of weapons purchases from Iran.

1019 . He would not have to say, and of course I'm
 1020 planning to consent to this less than \$14 million transfer
 1021 by a third country.

1022 . MR. SABA: So your understanding is there wouldn't

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1023 | be a requirement in that case for congressional
 1024 | notification?
 1025 | . MR. SILBER: Would not be a requirement, but he can
 1026 | always have consultations.
 1027 | . MR. SABA: But there would still be a requirement
 1028 | even in that case, would there not, to obtain in advance of
 1029 | the transfer the Iranian assurances as to the disposition of
 1030 | the weapons on their receipt?
 1031 | . MR. SILBER: That is correct.
 1032 | . MR. KREUZER: But what requires him to announce a
 1033 | new policy, if it's under \$14 million? Does 36(d) also
 1034 | require--
 1035 | . MR. SILBER: No. The last paragraph of section
 1036 | 3(a) of the Arms Export Control Act says, in considering a
 1037 | request for approval of any transfer of any weapon, weapons
 1038 | systems, munitions, aircraft, military boat, military
 1039 | vessel, or other implement of war, to another country, the
 1040 | President shall not give his consent, unless the United
 1041 | States itself would transfer the defense article under
 1042 | consideration to that country.
 1043 | . Now, if there were a law that said we, ourselves,
 1044 | could not transfer it, then, obviously, this law says he
 1045 | can't ^{give} ~~make~~ consent. If it is not a law but a publicly X JM
 1046 | announced policy that we would not transfer it, he has to
 1047 | change the policy. And it would seem to me that if it's a

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1048 | policy that is not a public policy, obviously it can be
1049 | changed in a nonpublic manner. But a publicly announced
1050 | policy it seems to me has to be changed by a publicly
1051 | announced revision.

1052 | . MR. KREUZER: Is that what that says?

1053 | . MR. SILBER: That would be my interpretation of
1054 | what that says.

1055 | . MR. GENZMAN: Can you read the language that you're
1056 | using?

1057 | . MR. SILBER: Yes. In considering a request for
1058 | approval of any transfer of any weapon, et cetera, to
1059 | another country, the President shall not give his consent
1060 | under this law, unless the United States itself would
1061 | transfer the defense article under consideration to that
1062 | country.

1063 | . And as far as I know, the State and Defense
1064 | Departments have long construed that, since its enactment I
1065 | believe in 1971, to mean that we would not consent, we could
1066 | not consent--we, the State Department and the United States
1067 | Government, could not consent to a transfer if either there
1068 | was a legal prohibition or a public policy prohibition
1069 | against that transfer. If it was merely a, what might be
1070 | called a classified policy, then a classified policy could
1071 | be changed by another classified policy revision.

1072 | . MR. KREUZER: But you're interpreting in this

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1073 situation it's saying that because of public policy that you
 1074 cited that occurred since ¹⁹⁸⁰ in various executive orders, ~~1981~~ X
 1075 ^{AND} announced neutrality with Iran and Iraq, that this is, in X
 1076 fact, a public policy and therefore that the President would
 1077 have to make a public policy statement, or state that public
 1078 policy is now being changed?

1079 MR. SILBER: Or words to that effect. He would not
 1080 necessarily have to address a pending proposed consent to a
 1081 third-party transfer. He could simply say we're changing
 1082 our policy on selling to this particular country.

1083 MR. KREUZER: But if arms, in fact, did transfer,
 1084 then we would have to have had a public policy statement
 1085 from the President prior to that time?

1086 MR. SILBER: Not necessarily the President.
 1087 Presumably any--

1088 MR. KREUZER: Or his designated--

1089 MR. SILBER: --authorized official. The Secretary
 1090 of State. An Assistant Secretary of State for Near East and
 1091 Southeast Affairs could, for example, in testimony before
 1092 Congress put in a significant phrase saying we are now
 1093 considering or would be prepared to consider on a case-by-
 1094 case basis requests for purchase of arms by the Iranian
 1095 government.

1096 There's a multitude of ways in which one can
 1097 announce a policy change, assuming it's only a policy

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1098 change, and that's all we're referring to now.

1099 . MR. SABA: Mr. Silber, you said that State and

1100 Defense have long construed this paragraph.

1101 . MR. SILBER: Um-hum.

1102 . MR. SABA: Have there been, to your knowledge,

1103 written memoranda prepared as to that construction? Or any

1104 construction?

1105 . MR. SILBER: I believe that there have been. I've

1106 seen, I think I've seen them. It would be difficult to try

1107 to find them and produce them, but I believe that if you

1108 would check with the Legal Adviser's Office in Department of

1109 State they would agree that this prohibition covered both

1110 law--legal prohibitions and public policy prohibitions.

1111 . If you look at the reason that this law was enacted

1112 in I believe it was ~~1971~~ 1971, the reason was that the x9

1113 government of India and the government of Pakistan were at

1114 war in the western part of India and the President, at that

1115 time President Nixon, had announced a strict policy of

1116 neutrality. At the same time the ~~Shah of Iran was~~ ^{TURKS were} on the x9

1117 side of the Pakistanis and wanted to supply tanks or repair

1118 services for Pakistani tanks, and the Administration was

1119 being faced with a request from the ~~Shah of Iran~~ ^{Government of Turkey} to assist x9

1120 in that effort to support the Pakistani tanks in battle.

1121 And it was revealed in the press, in the American press,

1122 that the President had urged the Secretary of State, who was

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1123 at that time Henry Kissinger, that we have got to tilt more
 1124 to Pakistan. He was saying that in private to the Secretary
 1125 of State. At the same time publicly we had a policy of
 1126 neutrality, and the Congress thought that this was an
 1127 inappropriate way to handle this sort of matter, so they
 1128 enacted this provision.

1129 . At the time, I don't know that there was a legal
 1130 prohibition against consenting to ^{a Turkish} ~~an Iranian~~ transfer of X9K
 1131 services or materiel to Pakistan. So it was enacted to
 1132 remedy a perceived evil as a matter of policy, rather than
 1133 as a matter of legal prohibition. Therefore, it would seem
 1134 to me that that legislation goes beyond legal prohibitions.
 1135 It goes to the substance of what you publicly announced
 1136 policy is.

1137 . MR. SABA: Let me ask you a question. In the
 1138 period June 1, 1985 until January 17, 1986, did anyone from
 1139 OSD ask your office for an opinion, whether formally or
 1140 informally, orally or written, in any way, having to do with
 1141 the propriety, legality of a transfer by Israel of weapons
 1142 systems originally obtained from the United States to Iran?

1143 . MR. SILBER: No.

1144 . MR. SABA: Bearing in mind that at the moment
 1145 you're volunteering this as a statement, you have not been
 1146 sworn; if you were sworn, would your statement be the same?

1147 . MR. SILBER: Yes.

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1148 . MR. SABA: I'm sorry to have asked, but I want to
1149 get a very clear statement on this.

1150 . MR. SILBER: No one asked me of those details
1151 during that time period of the legality or propriety of that
1152 action.

1153 . MR. SABA: Prior to this period and generally in
1154 the circumstances of your duties as general counsel to DSAA,
1155 would you say that your understanding and opinion concerning
1156 the Arms Export Control Act was made known to the Office of
1157 the Secretary; that he, that the Secretary had knowledge of
1158 these restrictions in the Arms Export Control Act?

1159 . MR. SILBER: I could not testify as to the
1160 knowledge of Secretary Weinberger or any other American
1161 official's.

1162 . MR. SABA: But you provided them earlier with
1163 opinions to that effect?

1164 . MR. SILBER: No. The opinions that I've provided
1165 over a period of time have been to DSAA and prior to my
1166 assumption to the duties of the General Counsel, DSAA, when
1167 I was in the ^{Office of the} General Counsel to DOD, I provided similar *x 46*
1168 advice from time to time, and possibly in writing, to ISA as
1169 well as DSAA. And I know I've discussed this with the
1170 Office of the Legal Adviser in the Department of State from
1171 ^{to} time _^ time in the '70's and early '80's. *x 96*

1172 . MR. SABA: Did you have occasion to discuss the

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1173 matter with Mr. Taft any time in 1985?

1174 . MR. SILBER: No.

1175 . MR. SABA: Do you recall having discussions with
1176 him prior to 1985, including the time when he was Counsel?

1177 . MR. SILBER: I, of course, discussed many legal
1178 issues with Deputy Secretary Taft when he was the General
1179 Counsel at DOD but I don't recall this subject ever coming
1180 up. I mean, this subject being the interpretation of that
1181 part of the Arms Export Control Act.

1182 . MR. SABA: Yes, without regard necessarily to
1183 Israel or Iran.

1184 . All right, I'd like to go back to the Israeli Hawk
1185 situation, but you all may have some additional questions on
1186 the law.

1187 . MR. GENZMAN: Let me ask a question.

1188 . You have been citing to a provision that deals with
1189 transfers from the original purchasing country to a third
1190 party, have you not?

1191 . MR. SILBER: Correct.

1192 . MR. GENZMAN: Are you saying that the restrictions
1193 we've been talking about would apply if the U.S. were to
1194 want to sell directly to, say, Iran? That if there was a
1195 law or a policy, public policy to the contrary--let's just
1196 say a public policy to the contrary, that there would have
1197 to be an announcement of a contrary change in policy before

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1198 | that could be done?

1199 | MR. SILBER: If I understand the question, yes,
1200 | that ^{is}~~was~~ my interpretation of the law. x 9A

1201 | MR. GENZMAN: So, if it's your understanding that
1202 | there is a public policy, then a presidential finding or
1203 | some sort of secret directive could not do the job to permit
1204 | a sale or transfer to such a country?

1205 | MR. SILBER: That raises a very difficult question
1206 | of the applicability of the procedures for control of covert
1207 | activities on the rules and procedures for the ^{overt}~~over~~ Security x 9A
1208 | Assistance program, which is a more than slightly
1209 | contentious issue. If I were to hazard my own opinion, my
1210 | own opinion would be that the procedures for control of
1211 | covert actions do not supersede the laws and regulations
1212 | that deal with the ~~over~~ Security Assistance program. x 9A

1213 | Of course, this paragraph does not deal with
1214 | consenting to transfer of items that were not transferred
1215 | originally under the Arms Export Control Act. If they had
1216 | originally been transferred under the Covert program,
1217 | whatever restrictions were on that would presumably govern
1218 | the further transfer. This section only deals with weapons
1219 | that are transferred under the Arms Export Control Act.

1220 | MR. SABA: Go ahead.

1221 | MR. GENZMAN: I haven't taken a look at that
1222 | particular section, but does that section only deal with

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1223 transfers by the original purchasing country to another
1224 country and whether that is permissible?
1225 . MR. SILBER: No. It would also deal with transfers
1226 of the third country to the fourth country or the fourth
1227 country to the fifth country.
1228 . MR. GENZMAN: Fine. Does it deal with transfers
1229 directly from the U.S. to another country?
1230 . MR. SILBER: No. That particular section or
1231 paragraph does not.
1232 . MR. GENZMAN: Can you give me a citation for the
1233 section that deals with the direct transfers?
1234 . MR. SILBER: That would be section 3(a) of the Arms
1235 Export Control Act.
1236 . MR. GENZMAN: And you say you--
1237 . MR. SILBER: I'm sorry. 3(a) other than the last
1238 paragraph of 3(a). The last paragraph of 3(a) deals with
1239 third-party transfers; 3(a) in the beginning deals with the
1240 question of our sale or lease of weapons to, shall we say,
1241 second countries.
1242 . MR. GENZMAN: So your construction that there has
1243 to be an announcement of a change in policy would apply
1244 generally to 3(a)'s provisions?
1245 . MR. SILBER: I'm not sure I understand.
1246 . MR. GENZMAN: Direct transfers to second countries--
1247 . MR. SILBER: Oh. No.

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1248 . MR. GENZMAN: --or to third to fourth to fifth.

1249 . MR. SILBER: If the United States has a policy, not

1250 a law, but there is a policy against transfer to a

1251 particular country from the United States, and if the United

1252 States wishes then to make a particular sale, if there's a

1253 36(b) notification required, obviously, we are going

1254 contrary to the previously announced policy. If it is not

1255 under a 36(b) procedure, then the Congress would be notified

1256 on a quarterly basis after the fact that we had made sales

1257 to a recipient of a weapons system that previously had not

1258 been consistent with our policy. I don't know that we would

1259 have to have a publicly announced policy there. ^{REVISION} X9/18

1260 . In the ~~Over~~ Secret Security Assistance program there are X9/18

1261 few secrets, and fewer that remain secret for more than

1262 three months, because of the quarterly reporting system.

1263 . MR. SABA: Mr. Silber, I do have a last question.

1264 Is my understanding of section 3(e) of the Arms Export

1265 Control Act correct in that, if the President were to

1266 receive information that a transfer of a defense article has

1267 been made by a recipient without his consent, he would

1268 report that information to the Speaker of the House and the

1269 Senate Committee on Foreign Relations?

1270 . MR. SILBER: Well that has been delegated also to

1271 the Secretary of State. The only thing that I can comment

1272 about that is that it requires that if there are any

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1273 information, presumably any credible or reliable
 1274 information, and that there's a--that the transfer has to
 1275 have been made, it's not just a proposed transfer, there are
 1276 many, many rumors in the trade--in the international trade of
 1277 arms many rumors about transfers, possible transfers,
 1278 transfers have happened. What this section requires is the
 1279 President, through his delegate the Secretary of State, to
 1280 tell the Congress when the information is of such a
 1281 character that it is believable, and that it's only those
 1282 transfers that would otherwise be in violation of the
 1283 section requiring his consent.

1284 . MR. SABA: All right. I'm going to leave this area
 1285 and this subject.


1286 . MR. KREUZER: I have one more question.

1287 . BY MR. KREUZER:

1288 . Q Earlier, Dr. Gaffney, you mentioned that between
 1289 1967 and some point in time that we had delivered 1,482
 1290 Hawks to Iran?

1291 . A I said over the life of our Hawk program with Iran
 1292 we had delivered 1,442.

1293 . Q 1,442.

1294 . A And I have no idea when that program started or
 1295 when the last ~~EB~~ delivery took place before the Shah ^{left.} ~~was~~ 

1296 . Q And I think that you've mentioned that there were
 1297 360 Hawks that had been ordered and paid for by Iran but

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1298 were never delivered because there had been a revolution in
 1299 '79.

1300 . A My note only says that 360 Hawk missiles ^{were} diverted JF1
 1301 from Iran. X

1302 . Q Diverted. Where were they--

1303 . A Well, no. I'm just saying that presumably they
 1304 were somewhere in the pipeline. ~~and~~ I assume since it says JF
 1305 360 for Iran that probably there was an LOA and maybe
 1306 production started on them, but that they were probably
 1307 delivered out over time. I mean, other customers were found
 1308 for them.

1309 . Q So they were delivered probably to other customers.

1310 . A Yes.

1311 . Q And in 1985 the Israelis--

1312 . A And any funds, you see, that were owed to the
 1313 Iranians in progress payments to date, up to the date would JF
 1314 probably have been ~~you know~~ put into their trust fund as X
 1315 we sold them off. In other words, when you sell to another
 1316 customer, they probably picked up the progress payments, and
 1317 the money that comes in, some of it goes back to the Iranian
 1318 Trust Fund and some would go in continued production, on a
 1319 hypothetical basis.

1320 . Q So, now I'd just like to jump away from that to
 1321 1985. We sold a hundred Hawk missiles to Israel.

1322 . A In 1982, we agreed to an LOA, a case.

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1323 . Q We delivered a hundred Hawks.

1324 . A And, in fact, ~~and they~~ they were--and very

1325 coincidentally--delivered in early November of 1985. Three-

1326 year lead time, which is about--

1327 . Q Do you know who else took delivery in 1985 of any

1328 Hawk missiles?

1329 . A As I remember, there were about 70 Hawk missiles

1330 went to Korea about that time.

1331 . Q Seventy Hawk missiles to North Korea?

1332 . A Yes.

1333 . Q In 1985?

1334 . MR. SABA: Excuse me. I doubt that it was North

1335 Korea.

1336 . BY MR. KREUZER:

1337 . Q I mean, excuse--I'm sorry.

1338 . A Didn't I say South Korea?

1339 . Q To South Korea in 1985. Anybody else?

1340 . A When I was checking about that time there was a

1341 number in the pipeline as well for the UAE. But since all

1342 the systems were not in place in the UAE, they were heading

1343 for storage.

1344 . Q So they would not have gone to the UAE?

1345 . A They had not gone to the UAE.

1346 . Q How about anybody else, other than the United Arab

1347 Emirates and South Korea?

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1348 . A At about that time when I looked into it, there
1349 were just those three cases which were very active: the
1350 Israeli, the Korean--South Korean, and the UAE.

1351 . Q If I said [REDACTED], would that--

1352 . A That triggers a memory, yes, that--

1353 . Q Possibly [REDACTED]

1354 . A Something like that, but I don't remember.

1355 . BY MR. SABA:

1356 . Q All right. Returning to our Israeli case, the LOA
1357 was executed in 1982, and when were the missiles actually
1358 delivered?

1359 . A When I checked on it in November '85, and this is
1360 around November 19 or thereabouts, it showed on our records
1361 as still in the pipeline; but then when I checked with the
1362 Army, they said, oh, they had been delivered--and I have to
1363 explain what I think "delivered" means--just a few days
1364 before that.

1365 . Q Why don't you go ahead--

1366 . A Now by what I mean delivered, we usually mean that
1367 they have been produced and the title has passed to the
1368 country--at the manufacturer and the country is then
1369 responsible for transporting them from the manufacturer back
1370 to their country.

1371 . Q So delivery is, essentially, a legal shipping term.

1372 It might be f.o.b.--

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1373 . A Right.

1374 . Q --the point of storage. It may be f.o.b. point of

1375 shipment.

1376 . A When I say that they had been recently delivered,

1377 that did not tell me where they were physically in any way.

1378 . Q But the title has transferred?

1379 . A Yes.

1380 . Q That is your understanding of "delivered"?

1381 . A That's right, that the title had transferred.

1382 . Q And as to that 1982 request for 100 missiles--

1383 . A Um-huh.

1384 . Q --did there come a time when you learned when title

1385 had transferred to Israel on those missiles?

1386 . A No. Just that it had been, just earlier in

1387 November of 1985.

1388 . Q I see. So your understanding was that in early

1389 November 1985 the title to the 100 Hawks transferred to

1390 Israel.

1391 . A To make it more precise, sometime before November

1392 19th.

1393 . Q All right. Do you know what happened to those 100

1394 Hawks?

1395 . A No.

1396 . Q Did you make further inquiries?

1397 . A No.

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1398 . Q In regards to those 100 Hawks, was there ever a
1399 time in which there were discussions, whether within the
1400 United States Government with Israelis or generally,
1401 concerning any subsequent transfer by the Israelis of those
1402 Hawks to a third party?

1403 . A Not that I know of.

1404 . Q All right. Dr. Gaffney, if I can turn to the
1405 period, now, of approximately November 1985.

1406 . A Um-huh. X

1407 . Q And I would like to go through this period slowly
1408 and specifically, and I would turn your attention in
1409 particular to a day which Mr. Koch came to your office.
1410 What I would like is, if you could tell the story as much in
1411 your own words, I will try not to interrupt, since I would
1412 like to get a narrative as much as I can. You might begin
1413 by explaining in a general way how you came to be an Acting
1414 Director, and I'm particularly interested in calendar dates
1415 and in the details of conversations.

1416 . A I came to be Acting Director ⁱⁿ, I think it was Q
1417 roughly November 19th. I have a note in my book which says
1418 that I began Acting Director on 18 November 1985.

1419 . Q And I take it the book you are referring to is--

1420 . A It is just a casual book of notes that I keep for
1421 my taskings.

1422 . MR. SILBER: Unh-unh. I would say that is what we

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1423 can call a work diary.

1424 THE WITNESS: A work^{diary}-yes. Sure, you can call it a

1425 work diary or anything like that.

1426 BY MR. SABA:

1427 Q All right. So that on November 18, 1985, you came

1428 to be Acting Director.

1429 A Right.

1430 Q And how is that you become Acting Director?

1431 A That's because the Director and the Deputy Director

1432 were both out of the country at that time. The Director was

1433 in Pakistan.

1434 BY MR. SAXON:

1435 Q The Director is General Gast?

1436 A General Gast.

1437 Q And the Deputy Director is--

1438 A The Deputy is Glenn Rudd. And Glenn Rudd was at

1439 the Security Assistance Conference in Hawaii during that

1440 week. So without having a further note on it, I believe I

1441 was the Acting Director for that entire week, so that would

1442 have been five days.

1443 BY MR. SABA:

1444 Q The 18th of November was a Monday?

1445 A I think so. That would be 18, 19, 20, 21, 22--yes.

1446 So let's say 18th through 22nd.

1447 Q So there was an entire workweek--

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1448 . A Yes.

1449 . Q --for which were the Acting Director?

1450 . A Right.

1451 . Q Does your work diary reflect the last day on which

1452 you were Acting Director--

1453 . A I don't think so.

1454 . Q --in that period?

1455 . A I don't see anything. I just made a list of the

1456 things on the 21st of November which I would report to Gast

1457 and then it jumps to 25 November, which I identify as a ^{November}

1458 Monday. I have no notes on ^{November} 22, which was a Friday. I

1459 ~~Probably~~ spent most of the day writing my ~~Event~~ what-

1460 happened-in-the-week report to Gast.

1461 . Q All right. Going back to the beginning of that

1462 week, Monday, the 18th of November, do you recall from your

1463 memory or does your work diary reflect a meeting that week

1464 or contact from Noel Koch?

1465 . A No. The only note that it first shows here is on

1466 19 November, where I put in my book a little note that said

1467 "'220 Hawk missiles due for delivery November '85 through

1468 March '86.'" So I presume that I checked that out on

1469 Tuesday, November 19th, and that was--

1470 . BY MR. SAXON:

1471 . Q Give us the dates again, please?

1472 . A Tuesday, November 19th.

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1473 . Q No. The dates for delivery for the 220.
 1474 . A November '85 through March '86. And presumably
 1475 that's because on more likely Tuesday, the 19th of November,
 1476 Noel Koch had come to me and said we need to find out
 1477 whether there are any Hawk missiles which are available for
 1478 delivery.
 1479 . Q That's Koch--k-o-c-h?
 1480 . A K-o-c-h. And at that time he was Acting Assistant
 1481 Secretary, ISA.
 1482 . MR. SABA: Off the record a moment.
 1483 . [Discussion off the record.]
 1484 . BY MR. SABA:
 1485 . Q Dr. Gaffney, I call your attention to your work
 1486 diary, and I would like to enter for the record as Exhibit 1
 1487 your entries for the 19th of November 1985 which constitute
 1488 two pages of your work diary.
 1489 . (A document was marked
 1490 . Deposition Exhibit No. 1
 1491 . for identification.)
 1492 . BY MR. SABA:
 1493 . Q And calling your attention to the first page, to
 1494 the bottom right-hand corner, there is an entry that states
 1495 "'220 Hawk missiles due for delivery November '85-March
 1496 '86.'"
 1497 . A Yes.

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1498 . Q Can you tell us how that entry came to be?

1499 . A That's because I went down to our Comptroller, or

1500 Data Management Division, and asked them to give me a

1501 computer printout of all Hawk deliveries over time.

1502 . Q And what caused you to take that action?

1503 . A That's because Noel Koch asked me to find out

1504 whether we have any Hawk missiles and where are they.

1505 . Q Did Mr. Koch come to your office?

1506 . A I don't remember specifically. I suspect he called

1507 me up to his office, which would be the appropriate way to

1508 do it. It is only a ~~(short time, short)~~ few steps down the

1509 hall. I was sitting in the Director, DSAA's, office at the

1510 time.

1511 . Q I have for Exhibit 2 a calendar, which is Mr.

1512 Koch's calendar, and I have the page reflecting the events

1513 of November 19, 1985.

1514 . (A document was marked

1515 Deposition Exhibit No. 2

1516 for identification.)

1517 . BY MR. SABA:

1518 . Q I'll provide it to you and you will note that there

1519 is an entry, approximately 12 o'clock, which states, "To

1520 General Powell with Hank Gaffney."

1521 . A Yes.

1522 . Q Perhaps that will help you to recall what

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1523 transpired.

1524 . A Yes. As I remember it, the best I can and it's
1525 kind of vague, he had asked me to find out where there are
1526 Hawk missiles and he said that it's a very hush-hush
1527 project. And then later--

1528 . Q And this was--

1529 . A This was Noel Koch.

1530 . Q I'm sorry to interrupt.

1531 . Noel Koch came to your office.

1532 . A I don't remember. Or probably called me down to
1533 his office.

1534 . Q So you went to his. It was not a telephone call,
1535 it was a meeting face to face?

1536 . A No. I think it was face to face.

1537 . Q All right. And what did Mr. Koch say to you in
1538 that meeting?

1539 . A Now, to the best of my knowledge, it was this is a
1540 very hush-hush project. Colin Powell--I don't know if he
1541 brought Colin Powell's name up at that point, but he said we
1542 need to find out whether there are any Hawk missiles
1543 available, let's put it that way. And how many.

1544 . Q Did he say why?

1545 . A ~~We said it's some~~ to the best of my memory, he said
1546 it was some sort of very hush-hush project and it's the
1547 front office wants it. And I don't know whether it was then

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1548 or ~~you know~~ a short time later that ~~it was known~~ he was
 1549 working directly with Colin Powell, the Military Assistant
 1550 to SECDEF. But later on in the morning, as this shows, he
 1551 said: "Let's go down. Colin Powell wants to talk about
 1552 this request." So we went down to see Colin Powell.

1553 . Q Just focusing slowly on that first meeting, he
 1554 said--he asked you whether there are Hawk missiles available,
 1555 how many, it was hush-hush, a front office project.

1556 . A Yes.

1557 . Q Was that the extent of the conversation?

1558 . A Yes.

1559 . Q Was there any mention of the destination of the
 1560 missiles in that first conversation?

1561 . A Not that I remember.

1562 . Q Was Israel mentioned?

1563 . A Not that I remember.

1564 . Q Iran mentioned?

1565 . A Not that at that very initial stage.

1566 . Q Were any dates mentioned in that first meeting?

1567 . A No. And as a personal opinion, the way Moel Koch
 1568 was addressing it was that this is the first time he'd ever
 1569 heard of anything like that and he really didn't know what
 1570 was entailed.

1571 . Q All right. So you have this meeting. About how
 1572 long did that meeting take place?

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1573 . A Only a couple of minutes.

1574 . Q And then what did you do following that meeting?

1575 . MR. SAXON: Before you get to that, let me ask one

1576 question.

1577 . BY MR. SAXON:

1578 . Q What did you understand Mr. Koch to mean when he

1579 said that the front office wanted it?

1580 . A ~~Well, pretty~~ ^{it} later on, ~~that~~ became clear that

1581 Powell wanted it for Weinberger. And as the week

1582 progressed, Powell wanted it for Weinberger to take to an

1583 NSC meeting, or a meeting in the White House. I thought ~~it~~ ^{an}

1584 was ^{an} NSC meeting.

1585 . BY MR. SABA:

1586 . Q But in stating in that first meeting, the front

1587 office wants it, he wasn't more specific?

1588 . A I can't remember. You know, it obviously didn't--it

1589 was not something that grabbed me.

1590 . Q So that meeting was a few moments. Then what did

1591 you do?

1592 . A Then I went and I got the data printout, from our

1593 Data Management Division, of all the Hawks ~~and~~ in order to

1594 find out which were in the immediate pipeline.

1595 . Q When you say all the Hawks, specifically what--

1596 . A Hawk missiles.

1597 . Q That's all the Hawk missiles ever made or all

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1598 Hawks--

1599 . A All Hawk missiles ever sold through Foreign
1600 Military Sales.

1601 . Q So this printout would show me from day one all
1602 Hawk missiles ever transferred to a foreign country under
1603 Foreign Military Sales?

1604 . A Yes.

1605 . Q Would that printout also tell me Hawk missiles
1606 currently in the pipeline?

1607 . A Yes, which was my basic intent, to--

1608 . Q Would it tell me of the number of Hawk missiles in
1609 the United States military inventory?

1610 . A No.

1611 . Q Would it tell me of the number of Hawks currently
1612 in production in the United States?

1613 . A For foreign customers?

1614 . Q One.

1615 . A For foreign customers, it would give an indication
1616 of that.

1617 . Q Would it give an indication of Hawks in production
1618 for the United States military purposes?

1619 . A No.

1620 . Q And did you obtain a printout?

1621 . A Yes.

1622 . Q Where is that printout today, do you know?

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1623 . A ~~I destroyed it shortly~~ I didn't keep it in my safe. JLX
1624 I destroyed it shortly after ~~this was [unclear] after the meeting~~ I
1625 was Acting Director.
1626 . Q Do you mean within a week or--
1627 . A Yes. Well, I don't know. Yes, I think it was
1628 within a week, or within a couple of weeks I would say.
1629 It's a fairly bulky thing--
1630 . Q So now you have a printout--
1631 . A Yes.
1632 . Q --of, essentially, all FMS Hawks ever made--
1633 . A Um-hum.
1634 . Q --and those in the pipeline--
1635 . A Yes.
1636 . Q --and those in the production--
1637 . A Yes.
1638 . Q --for FMS purposes?
1639 . A Yes.
1640 . Q And what did you do with that document?
1641 . A It was meant to just give me an initial
1642 approximation, which is shown on the first page of my notes
1643 there. That is, that this yielded that there were 220 Hawk
1644 missiles due for delivery, November 1985 through March 1986.
1645 . Q I see. So that the notation on Exhibit 1 is a
1646 reference to the printout?
1647 . A Yes. The information gathered from that printout.

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1648 . Q It is not a reference to the request by Mr. Koch;
1649 that is, he didn't ask you to find 220 Hawks?
1650 . A No. It was just--it's solely the number that were
1651 available.
1652 . Q And continuing, what did you then do with the
1653 printout?
1654 . A Well, what I did then--now I don't know, I think by
1655 the time I had that, that as Mr. Koch's notes show, we went
1656 down to see Colin Powell.
1657 . Q I see. I want to return to that 220 number to make
1658 sure I understand.
1659 . This is 220 in the pipeline at that time, and what
1660 do you mean by available?
1661 . A Well, due for delivery, off production, in that
1662 period November '85 through March '86. The printout was in
1663 sufficient detail to show that.
1664 . Q Would these be Hawks which had already been
1665 committed to Iran?
1666 . A They were all on sales cases, yes.
1667 . BY MR. SAXON:
1668 . Q Were you given that time period by Mr. Koch?
1669 . A Not that I re--not that I remember. I think it was
1670 more of ~~you know~~ what's available right now.
1671 . Q So the reference to delivery November '85-March '86
1672 means delivery to--to whom?

94
X

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1673 . A Well, to the best of my recollection, there was--and
1674 I'm very confused about it at this point. There were the
1675 hundred to Israel in there. There were possibly some number
1676 for the UAE. Roger has mentioned that there were some for
1677 [REDACTED], and I seem to remember 70 for Korea.


1678 . Q These would all be missiles--these 220 missiles,
1679 then, would be missiles for which we had a contractual
1680 obligation--

1681 . A Exactly. Exactly.

1682 . Q --to provide.

1683 . A Yes.

1684 . MR. SILBER: Could be diverted, though.

1685 . THE WITNESS: ~~Now~~ we have the contractual ability 
1686 to divert them and to reschedule the delivery for the
1687 customer.

1688 . BY MR. SABA:

1689 . Q All right.

1690 . A But, of course, the customer has to be told at some
1691 point.

1692 . Q And therefore the characterization of the missiles
1693 as available in your mind meant that they were missiles
1694 which currently have been produced, are scheduled to be
1695 delivered to various countries at some short time frame, but
1696 which we have a contractual right to another source if that
1697 became our intention?

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1698 . A Well possibly, yes.

1699 . Q All right. You now have the printout.

1700 . A Um-hum.

1701 . Q And what happened next?

1702 . A I went down to see, I don't know whether it was

1703 then or after we saw Colin Powell around noon, but I went

1704 to--

1705 . Q How did you come to see General Powell at noon?

1706 . A Well, as I remember, to the best of my memory, Koch

1707 ~~Came~~ came by the office and said, we need to go right down

1708 now to see General Powell about this.

1709 . Q At that point did you have the printout? Do you

1710 recall?

1711 . A I might have--gee! I don't even remember. Or

1712 whether I had some little note or I--I don't think I did. I

1713 don't think I did.

1714 . Q All right. And then you went to see General

1715 Powell?

1716 . A Yes.

1717 . Q At this point, up to this point as you had to see

1718 General Powell, had you made--other than your work diary

1719 entry, had you made any other notes?

1720 . A I believe the product from that session with Powell

1721 was this piece of paper.

1722 . MR. SABA: This will be Exhibit 3, I believe.

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1723 . THE WITNESS: Though I can't swear, I might have
 1724 gotten this as a request from Powell on the phone, because
 1725 it looks like I had this particular ~~(you know)~~ DSAA notepad
 1726 ~~(right)~~ available. Or I might have grabbed it ~~(you know)~~ when
 1727 I went down to see Powell.

1728 . BY MR. SAXON:

1729 . Q But you are reasonably certain this information--

1730 . A But there is no question that this list of
 1731 questions came from General Powell.

1732 . BY MR. SABA:

1733 . Q All right. And it may have been in that noon
 1734 meeting?

1735 . A Yes.

1736 . Q Is this note limited to this single page?

1737 . A Yes, as far as I know.

1738 . MR. SABA: All right. Then we will mark this page
 1739 Exhibit 3, and it is a single piece of paper which is a
 1740 photocopy of handwritten notes on a notepad marked "Defense
 1741 Security Assistance Agency."

1742 . (A document was marked

1743 . Deposition Exhibit No. 3

1744 . for identification.)

1745 . BY MR. SABA:

1746 . Q You then went to see General Powell with Mr. Koch?

1747 . A Um-hum.

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1748 . Q Did Mr. Koch tell you on the way to the meeting
1749 what the substance of that conversation was to be?
1750 . A He was speculating what this--I can't remember
1751 whether it was on the way down or on the way back. I think
1752 on the way back. ~~That~~ he was speculating that this had *gl*
1753 something to do with the hostages and that's why it was so
1754 hush-hush. And I would hazard a guess at that time, without
1755 remembering the words, that it had to do with sales to Iran
1756 in connection with the hostages.
1757 . Q Let's go down to see General Powell, and what
1758 transpired in that meeting?
1759 . A Either in that meeting or on the phone he said, I
1760 need this kind of information.
1761 . Q And it was a result of a request from General
1762 Powell that you created these notes?
1763 . A Yes. And those look like, as if I'd taken them
1764 right off as he was saying them, either while I was sitting
1765 there at the phone or standing there in his office.
1766 . Q Could you--
1767 . A It's easier just to take them down in that sequence
1768 off the phone, rather than standing in his office.
1769 . Q Let's take a look at the exhibit. The top says,
1770 "'What worldwide stocks in other countries.'
1771 . A Um-hum^h
1772 . Q This is a question?

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1773 . A. Yes, ~~that's yes~~ that's a good question because, in
1774 fact, that particular question might have been what really
1775 triggered me to go to the Data Management Division to get
1776 the printout, because that would tell you all that was in
1777 other countries.

1778 . Q The next item on the note is the number 500. What
1779 did you understand that to mean?

1780 . A That we were looking for up to 500 missiles.

1781 . Q This is what General Powell told you?

1782 . A Yes.

1783 . Q And "from where" presumably is what?

1784 . A This I don't know. It could be, you know, where
1785 would we get them from.

1786 . Q Do you recall, when he asked you these questions
1787 did you have the number 220?

1788 . A I don't recall.

1789 . Q Moving just to the right of the question and
1790 circled in a little section of the note, it says, conceal
1791 what looks like ultimate destination. What caused that
1792 note?

1793 . A I don't know. It was obviously added later on, *after*
1794 the conversation.

1795 . MR. GENZMAN: Excuse me.

1796 . BY MR. GENZMAN:

1797 . Q Is all of this writing your handwriting?

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1798 . A This is all my handwriting.

1799 . BY MR. SABA:

1800 . Q General Powell requested you about the cost of the

1801 missiles?

1802 . A Yes, what do they cost. And that's per missile.

1803 . Q And General Powell asked you concerning the

1804 requirements of legal transfer?

1805 . A Yes. Including what notices we have to give, which

1806 means to Congress.

1807 . MR. SILBER: The "I," what does the "I" mean?

1808 . THE WITNESS: "How do I legally transfer?" In

1809 other words, it's--

1810 . MR. SILBER: Powell? You? The President?

1811 . THE WITNESS: Anybody. How does one legally

1812 transfer.

1813 . BY MR. SABA:

1814 . Q And the next phrase, "break into small phrases,"

1815 what is the genesis of that note?

1816 . A I suspect it's the general perception that could

1817 you break it into small packages to get under the thresholds

1818 for reporting to Congress.

1819 . Q I take it then that you may have provided him with

1820 some information at that point as to the notice required, or

1821 did you take it that he understood?

1822 . A I took it that he understood. I think he generally

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1823 understood. I might have mentioned it to him, but I think
1824 he just generally understood.

1825 . Q Was there any legal discussion at this point?
1826 . A No, not that I remember.

1827 . Q The next phrase says, "What countries can't I
1828 legally transfer to."

1829 . A Yes.

1830 . Q Was that his question to you?
1831 . A Um-hum.

1832 . Q Did you answer at that point?
1833 . A No.

1834 . Q And looking at the bottom, the last note, I'm not
1835 sure I can read it. Could you tell us what the very last
1836 line, "If--

1837 . A If gave--and I apparently underline gave, meaning
1838 gave away without charging any cost I assume--what third
1839 country transfer restrictions. That's all it says. I'm not
1840 quite sure what that all meant.

1841 . Q Do you recall what the genesis of that notation is?
1842 It suggests that a recipient country would give away the
1843 weapons.

1844 . A Or it might suggest that we give them away without
1845 extracting a price, a cost, without any payment being made.
1846 But I don't even remember.

1847 . MR. SILBER: If we had given them.

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1848 . THE WITNESS: Yes, if we gave them.

1849 . MR. SILBER: Not to the middle country.

1850 . THE WITNESS: Yes. Right. Maybe. Although that

1851 could also be read, and I just don't even remember, that if

1852 Israel gave them to Iran, what third country transfer

1853 restrictions would ^{APPLY} ~~report~~. And that's probably more likely

1854 the interpretation that--

1855 . BY MR. SABA:

1856 . Q But at the time what was the conversation that

1857 caused you to write the note?

1858 . A I don't know. I don't remember. But these are

1859 nearly verbatim, let's put it that way, which also accounts

1860 for the strange way it comes out.

1861 . Q So these are notes take--

1862 . A In other words, I'm scribbling as he's talking on

1863 the phone. I think that's the best interpretation of that.

1864 . Q Just to the left of this series of questions, there

1865 seems to be a note saying "'Would we have to tell Congress

1866 of transfer?'" with an arrow pointing up to "reporting

1867 requirement 3(d)."

1868 . A Um-hum. Yes.

1869 . Q What caused you to write that note?

1870 . A Obviously, I ran out of paper at the bottom and

1871 then started working up the left-hand side, where the

1872 question from Colin Powell would be "'Would we have to tell

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1873 Congress of the transfer?" Now, with that piece of note in
 1874 hand, I subsequently went to Jerry Silber and said: "What
 1875 is the provision of the law that regulates third country
 1876 transfers?" And he said 3(d), so I put it down.
 1877 . 2 In other words, is it correct that the notation on
 1878 the left above the arrow, "reporting requirement 3(d),"
 1879 was a notation made subsequent to the meeting?
 1880 . A Yes, that's correct.
 1881 . 2 But the notation below the arrow, "Would we have
 1882 to tell Congress of transfer?" is Colin Powell's question
 1883 to you at that meeting?
 1884 . A Yes. Yes. You'll note the strong suggestion as we
 1885 talked along here that they were thinking of a transfer like
 1886 from Israel to Iran.
 1887 . 2 Moving up the margin on the left-hand side, there
 1888 is a "s, quantity, detailed description." Is that a note
 1889 contemporaneous to the meeting with Powell?
 1890 . A Yes, I think so. And also, "sensitive
 1891 technology" follows from that. It's dollars, quantity,
 1892 detailed description--comma--sensitive technology. Now why I
 1893 put that right there I don't know. ^{CAN CLASSIFY IN NOTIFYING}
 1894 . MR. SILBER: What you have to tell Congress, maybe. A
 1895 . THE WITNESS: That's possible. That's possible.
 1896 . MR. SABA: All right. To the extent possible, I'd
 1897 rather avoid too much speculation--

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1898 . THE WITNESS: Yes. Sure.

1899 . MR. SABA: --or hindsight. I'd rather try to

1900 understand what the contemporaneous understanding was--

1901 . THE WITNESS: Oh. Yes. Yes.

1902 . MR. SABA: --of the witness.

1903 . THE WITNESS: You know, in looking at that, as I

1904 look at it, it does look like a later note which came after

1905 I had scanned through 36(b) to see what the reporting

1906 requirements were under 36(b).

1907 . MR. SILBER: (d).

1908 . THE WITNESS: ~~X~~ I think it attaches here to what ~~X~~

1909 notices.

1910 . MR. SILBER: Oh. 36.

1911 . THE WITNESS: Because then you pick up the

1912 sensitive technology which is prominent in 36(b) and I don't

1913 think it's as prominent in 3(d).

1914 . MR. SILBER: I see. Not for 3(d), I see. All

1915 right.

1916 . BY MR. SABA:

1917 . Q Looking back again, up to the right, the "conceal

1918 ultimate destinations."

1919 . A Um-huh.

1920 . Q I know we just went over that and I want to make

1921 sure. Looking at it again, was that a note made in the

1922 conversation with General Powell or was that a note made

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1923 later on? And again--

1924 . A It looks like it was made later on because it's in

1925 the same handwriting, the same as the "sensitive

1926 technology" phrase. And I don't know what it refers to or

1927 what I was asked.

1928 . Q So you had the meeting with General Powell. In

1929 addition to these questions which you took down on the

1930 notepad, what else was discussed in that meeting?

1931 . A An example would be, conceal ultimate destination,

1932 is it possible.

1933 . [Mr. Silber conferring with the witness.]

1934 . BY MR. SAXON:

1935 . Q Let me simply make sure I understand your last

1936 statement.

1937 . It's your testimony that that would represent the

1938 words conceal ultimate destination, but you don't recall

1939 whether you were asked how we could do that or if you were

1940 instructed that that's what we would want to do; is that

1941 correct?

1942 . A Right.

1943 . Q Is there anything else you can recall about those

1944 words, "conceal ultimate destination"?

1945 . A No.

1946 . MR. KREUZER: Could I ask you a question? Did we

1947 cover what other countries might be sources? What other

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1948 countries might be sources?

1949 . MR. SABA: I think we did.

1950 . BY MR. KREUZER:

1951 . Q That was a question to you from General Powell?

1952 . A Yes. That would certainly trigger me to get a

1953 complete worldwide printout of all the Hawk missiles we

1954 sold.

1955 . Q And that was a question he asked?

1956 . A Yes. Yes.

1957 . BY MR. SABA:

1958 . Q In addition to the questions which you listed in

1959 this notepad, what else was discussed in that meeting?

1960 . A That's about it, that I remember.

1961 . Q And Noel Koch was with you in that meeting with

1962 General Powell?

1963 . A Well he was in a meeting with General Powell. As I

1964 say, and I think about this longer, it is--this sounds like a

1965 list of requirements I took down over the phone, rather than

1966 standing up, say, with a pad in my hand.

1967 . Q Do you recall if this was prior to your noon

1968 meeting?

1969 . A Ah, no, I don't.

1970 . Q All right. Do you recall what transpired at the

1971 meeting between yourself, Mr. Koch and General Powell?

1972 . A No. It's all very hazy.

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1973 . Q Do you recall if, that day, anyone told you on that
1974 day, November 19, as to the ultimate destination intended
1975 for these weapons?

1976 . A I don't remember, but it was very clear to me that
1977 it was Iran and ~~I didn't~~ I doubt very much that I invented
1978 that.

1979 . Q And you think it was clear to you on the 19th of
1980 November?

1981 . A I wouldn't swear to it. Gee! I'm sworn.

1982 . [Laughter.]

1983 . A How did you come to know that? Was it Colin
1984 Powell? Was it Noel Koch? Do you recall how you came to
1985 know it was Iran and somehow connected with hostages?

1986 . A The earliest that I think I could have known that
1987 or speculated on it was that Noel Koch and I, and I think it
1988 was walking back up from Powell's office, said that he
1989 thought it had something to do with the hostages and he
1990 thought it had to do with Iran.

1991 . BY MR. SAXON:

1992 . Q And in that conversation, did he--

1993 . A But that did not sound from him as if he was
1994 directly privy to information of that sort.

1995 . Q And in that context, he did not mention anything
1996 about the NSC or Colonel North or a broader Iran initiative,
1997 did he?

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1998 . A Absolutely not. Nothing like that ever came up.

1999 . MR. SILBER: NSC?

2000 . THE WITNESS: Well. I was to provide this kind of

2001 information to Colin Powell and, as I think back on it, I

2002 must have given them some sort of handwritten sheet of paper

2003 which contained things like what appeared here.

2004 . MR. SABA: The witness is referring to handwritten

2005 notes which we'll have entered on the record in a while.

2006 . THE WITNESS: Yes. But I have no strong

2007 recollection that I actually turned in a handwritten piece.

2008 . BY MR. SABA:

2009 . Q But let's stay--we're only at lunchtime, November

2010 19th. Did General Powell indicate in any way to you the

2011 purpose of his questions?

2012 . A No.

2013 . Q Did he indicate how you were to convey answers to

2014 the questions, whether by orally or by memorandum?

2015 . A He just wanted the information on these Hawk

2016 missiles.

2017 . Q Did he indicate that you should prepare a memo?

2018 . A Later I believe he asked me to prepare a talking

2019 paper for Weinberger to carry to an NSC meeting.

2020 . Q When you say later, what period are you referring

2021 to?

2022 . A Probably the next day.

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2023 . Q All right. We'll come to that. Just again staying
2024 with the 19th, did you have any further discussions that day
2025 with either Mr. Koch or Mr. Powell--or General Powell?
2026 . A Not that I remember.
2027 . Q And it's your recollection that it was that day
2028 that you also obtained the computer printouts and you make
2029 reference to 220 in your work diary?
2030 . A That's right. That's right.
2031 . MR. SABA: Off the record for a moment.
2032 . [Discussion off the record.]
2033 . BY MR. SABA:
2034 . Q Referring to Exhibit 2, there is a reference in Mr.
2035 Koch's calendar at 2:30 p.m. that he was interrupted in a
2036 meeting or a conversation he was in having to speak with
2037 you.
2038 . A Um-hum.
2039 . Q Do you recall the reason you interrupted him and
2040 the substance of your conversation with him?
2041 . A My guess, my speculation is that having been asked
2042 around--somewhere between 12:00 and 12:30 to find
2043 information, by 2:30 I had some information which we could
2044 then carry down to Colin Powell.
2045 . Q Do you have a specific recollection of what?
2046 . A No.
2047 . MR. SABA: All right. I would now like to

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2048 introduce Exhibit 4, I believe, into the record, which is a
2049 handwritten note.

2050 . (A document was marked
2051 . Deposition Exhibit No. 4
2052 . for identification.)

2053 . BY MR. SABA:

2054 . Q And, Dr. Gaffney, could you tell us if the note is
2055 in your handwriting?

2056 . A Yes, it is in my handwriting.

2057 . Q The note states:

2058 . "'1.'" and then it says, "'100 to Israel shipped
2059 two weeks ago.

2060 . "'2.'" and then there is a "'11 to [REDACTED] gone;
2061 others delivered to FF.'" And I can't read your last
2062 sentence.

2063 . A The rest is a Xeroxing thing because it's the same
2064 words.

2065 . MR. SILBER: From the back of another page.

2066 . THE WITNESS: Probably, yes.

2067 . BY MR. SABA:

2068 . Q All right. Can you tell us what this note
2069 represents?

2070 . A Well, okay. The printout wasn't in sufficient
2071 detail. I had to go to the Army. I went to Mr. Bill
2072 Jackson in the Army to get further information, and my diary

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2073 note on 19 November, a page marked 36, has a little note
2074 there that says, "Check with Bill Jackson tomorrow."
2075 Q And you're referring, are you not, to Exhibit No.
2076 1?
2077 A Yes.
2078 Q Page 36. The second page of that exhibit.
2079 [Mr. Silber conferring with the witness.]
2080 THE WITNESS: And it says, "Check with Bill
2081 Jackson tomorrow." So tomorrow would be 20 November, and
2082 he got back to me with this particular information first
2083 off.
2084 BY MR. SABA:
2085 Q So you believe that this information came to you on
2086 the 20th of November?
2087 A Yes. And he called me on the phone and I grabbed
2088 the nearest piece of paper which I had. I wasn't at my own
2089 desk; I was sitting at the Director's desk and he keeps a
2090 clean desk. So I took a piece of paper off a cable which
2091 was in the "Out" box and took this note off his phone
2092 conversation with me.
2093 MR. SILBER: It's just a tear, a corner.
2094 THE WITNESS: Just to tear a corner. It didn't
2095 have any material on it and, coincidentally, it had a date
2096 of 19 November on it, which is appropriate since cables take
2097 about a day to get in. And it was probably 20 November when

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2098 I got this particular note back from Mr. Bill Jackson.

2099 BY MR. SAXON:

2100 Q Who and where is Bill Jackson?

2101 A Bill Jackson is the--on the Army staff, an

2102 organization called DALO-SAC--s-a-c--and he is the, let's see.

2103 There is an Assistant Deputy Chief of Staff for Logistics

2104 for Security Assistance, otherwise called DALO-SAC, and Mr.

2105 Jackson is his deputy, a civilian.

2106 Q So the answer to my question is he is the deputy to

2107 who?

2108 A Deputy to the Assistant Deputy Chief of Staff for

2109 Logistics.

2110 BY MR. SABA:

2111 Q Would it be your understanding that the number 100

2112 shipped to Israel, number 11 gone to [REDACTED] would then be

2113 subtracted from the number 220 entered on your work diary

2114 the previous day?

2115 A Yes.

2116 Q And that it could be inferred that to your

2117 knowledge on the morning of the 20th there were 109 Hawk

2118 missiles available?

2119 A Yes, although I never went through that particular

2120 calculation.

2121 Q That was my next question. Did you go through that

2122 calculation?

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2123 . A Well, I don't remember. The more important thing
2124 was the next handwritten note that you may want to enter at
2125 this time.

2126 . MR. SABA: All right. That will be Deposition
2127 Exhibit 5.

2128 . (A document was marked
2129 Deposition Exhibit No. 5
2130 for identification.)

2131 . THE WITNESS: Which has prominently the word "Red
2132 River" in the middle of it.

2133 . MR. SILBER: May I interrupt at this point?

2134 . MR. SABA: Off the record. Yes.

2135 . MR. SILBER: Well, I'd like--

2136 . MR. SABA: --on the record?

2137 . MR. SILBER: Yes.

2138 . MR. SABA: Fine.

2139 . MR. SILBER: I just want to mention, if it becomes
2140 critical to either a prosecution or a witness before the
2141 committee or something like that, the originals of these
2142 notes are in my safe and have been since last
2143 November--December. Okay.

2144 . There are actually two scraps of paper, and, if I'm
2145 not mistaken, they're written on both sides. And so some of
2146 this is on the back, and that's why this is the Xeroxing
2147 through from the other side of the page. Okay. You have

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2148 two scraps of paper, both written on each side. Okay.

2149 Maybe it's a little simpler to see it. But I, in order to

2150 protect and preserve it, I just have locked it up, and I've

2151 copied it for everybody. If it's ever necessary to produce

2152 it, come to me.

2153 . MR. SABA: Well, thank you.

2154 . BY MR. SABA:

2155 . Q When was this note prepared?

2156 . A Well, thinking of that, that it might have been on

2157 the back, it looks like a subsequent refinement of the

2158 information from Mr. Bill Jackson, who had queried down

2159 through the Army staff. First of all, he'd been able to

2160 tell me that the 100 to Israel and the 11 to [REDACTED] were not

2161 available, they had gone. Subsequent checking showed that

2162 there were, in fact, in hand, in stock sitting in the Red

2163 River Arsenal ~~area~~ 164 missiles and that they cost ~~300~~ ^{they}

2164 ~~had cost~~ \$300,000 apiece.

2165 . Now clearly from the note on the top of the page,

2166 77 of those were destined for the UAE. What the other 87

2167 were, I don't know.

2168 . Q Did this information come that day?

2169 . A Can't swear, but certainly it's very likely to have

2170 come on the 20th. Might have come through on the 21st.

2171 . Q What is the reference in the note to "'146K each'?"

2172 . A I don't know, because clearly the "'300K'" was

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2173 circled and that was what I understood to be the basic price
2174 of them.

2175 . Q When you say the price, do you mean the cost to the
2176 U.S. Government or the price under an FMS sale?

2177 . A The price under an FMS sale.

2178 . BY MR. SAXON:

2179 . Q Could 146,000 have been the price you were told the
2180 Israelis were going to pay for each of these?

2181 . A No. I would not go so far as to say anything like
2182 that.

2183 . BY MR. SABA:

2184 . Q Did you convey any--

2185 . A There might possibly be, and it's too large--the
2186 numbers don't track. I mean, there's a difference between
2187 the production price and the FMS price because we have to
2188 add testing and--

2189 . MR. SILBER: Surcharges.

2190 . THE WITNESS: --and other surcharges on it to get
2191 from the individual missile price to the sale price, but
2192 that shouldn't double the price.

2193 Right, Jerry?

2194 . MR. SILBER: Yes.

2195 . THE WITNESS: So the "146K each" remains very
2196 cryptic.

2197 . BY MR. SAXON:

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2198 . Q Before we go off the record, can I just ask for the
2199 record have you ever told Bill Jackson the reason you were
2200 requesting this information?

2201 . A No.

2202 . Q Did you mention Iran?

2203 . A No.

2204 . Q Did you mention Israel?

2205 . A No.

2206 . Q Did you mention hostages?

2207 . A No.

2208 . MR. SILBER: Is the question, subsequent to the
2209 conversation? I mean, up until now?

2210 . MR. SABA: At any time?

2211 . MR. SILBER: Or at that time?

2212 . MR. SAXON: At that time.

2213 . THE WITNESS: No. Nor subsequently.

2214 . BY MR. SABA:

2215 . Q We're still in November 20th, 1985.

2216 . A Um-hu^h. X

2217 . Q Is this a note of the same day?

2218 . A I don't know.

2219 . Q All right. I will enter Exhibit No. 6.

2220 . (A document was marked
2221 . Deposition Exhibit No. 6
2222 . for identification.)

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2223 . BY MR. SABA:

2224 . Q Are these your numbers?

2225 . A That's my handwriting.

2226 . Q Do you recall the circumstances under which you

2227 wrote the note?

2228 . A No. other than the general circumstances that we

2229 were discussing.

2230 . Q Do you recall what you did with the information on

2231 these three handwritten notes; that being Exhibits 4, 5 and

2232 6?

2233 . A Well, the ultimate product now, by this time I

2234 somehow had gotten the word to prepare a talking paper for

2235 Secretary Weinberger to take to a meeting at the White House

2236 or an NSC meeting. I think it was an NSC meeting.

2237 . Q How did you get that information?

2238 . A I was requested to do so by Colin Powell. I don't

2239 remember that Noel Koch was in the loop on that one. By

2240 this time Powell was talking directly to me. He called me

2241 at home one night, too.

2242 . Q Do you recall when that was?

2243 . A No. It would have to be in this time frame,

2244 though. Whether it's the 20th or the 21st, I don't know.

2245 . Q But you think it was the 20th or the 21st?

2246 . A Right.

2247 . Q And General Powell called you at your home?

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2248 . . . A On one occasion during this exercise. But I don't
2249 remember what he even said to me at that time. It was all
2250 moving very fast.

2251 . . . MR. SILBER: But he did say something about
2252 preparing something for--

2253 . . . THE WITNESS: At some point he said, please prepare
2254 me a talking paper.

2255 . . . BY MR. SABA:

2256 . . . Q And did he tell you what this talking paper should
2257 contain?

2258 . . . A He must have, but I don't recall how much detail he
2259 asked me to put into it.

2260 . . . Q Did he indicate what the paper was for?

2261 . . . A Yes; for Weinberger to use as a talking paper when
2262 he went to a meeting.

2263 . . . Q Did he say when that meeting would occur?

2264 . . . A No, he didn't, although the feeling was that it was
2265 very imminent. That it could happen on, I believe, Thursday
2266 or Friday. Sounded like it was sort of on call.

2267 . . . Q Did he give you a deadline for the paper?

2268 . . . A That I don't remember.

2269 . . . Q But he stated that the paper was to be provided to
2270 him that he might provide it to Secretary Weinberger--

2271 . . . A Um-hum^h.

2272 . . . Q --for a meeting to be attended by the Secretary--

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2273 a--Yes.

2274 Q --at the NSC?

2275 A Yes.

2276 Q But he did not give you a date or a deadline?

2277 A Not that I remember.

2278 Q In requesting that you prepare that paper, did he

2279 mention Iran?

2280 A I can't remember any specific conversation along

2281 that line.

2282 Q Did he mention Israel?

2283 A I can't remember that specifically either.

2284 MR. SAXON: Let me interrupt, and say he would have

2285 had to have because the point paper you prepared is titled

2286 ''Hawk Missiles for Iran.''

2287 THE WITNESS: You took the words out of my mouth.

2288 MR. SILBER: Shouldn't do that.

2289 THE WITNESS: I'm just saying I'm not recalling a

2290 specific conversation but clearly I knew enough to make it

2291 very explicit. So it had to do with Iran; and in the body

2292 of that memo, the possibility that they might be transferred

2293 from Israel was also a possibility. Remembering that had

2294 been a possibility from the very first conversations we had;

2295 in other words, what's entailed in third-country transfers.

2296 BY MR. SABA:

2297 Q I'll show you a photocopy of your work diary for

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2298 the day November 21st, 1985, page 38.

2299 . A Right.

2300 . Q And I will mark it Exhibit 7.

2301 . A Yes.

2302 . MR. SABA: I will have that marked.

2303 . (A document was marked

2304 . Deposition Exhibit No. 7

2305 . for identification.)

2306 . BY MR. SABA:

2307 . Q I'll call your attention to the upper left-hand

2308 corner of the page, and I would ask you to explain the eight

2309 points there.

2310 . A The eight points on that are my outline of a

2311 talking paper.

2312 . Q What caused you to write those eight points there?

2313 . A They had to be stimulated by General Powell. It

2314 does not look like the kind of thing that I would have noted

2315 down off of telephone conversations. Too neat.

2316 . Q I see. Was there a specific number of Hawks in

2317 mind? Directing your attention to the first two questions,

2318 which imply a certain number.

2319 . A By that time I think they were kind of attached to

2320 the 120 number because that was the number that--well, now I

2321 don't know. I really don't know. All we knew was 164 were

2322 available and that the number that we began discussing was

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2323 120. So for some reason, I was told to discuss 120 in my
2324 talking paper. So I did.

2325 BY MR. KREUZER:

2326 Q Was there any discussion of, at that point where
2327 you were told to discuss 120 vice 164, was there an allusion
2328 made to funds available that would constitute a ceiling that
2329 would be the equivalent of 120 Hawks versus 164?

2330 A No. Nothing like that.

2331 BY MR. SABA:

2332 Q Turning your attention to the third point, was this
2333 point in response to a request from General Powell--

2334 A It was, indeed.

2335 Q What was the request?

2336 A The request, just--it's near speculation because I
2337 can't remember exactly what he said. But I got the very
2338 clear impression from General Powell that I should write a
2339 pretty negative paper. That Weinberger was against this and
2340 I was to identify the reasons why and pointing out, with
2341 regard to the law, the legal requirements.

2342 Q At this point, Dr. Gaffney, you understood that you
2343 were being tasked with this as the Acting Director of the
2344 office?

2345 A That's correct. Solely as the Acting Director of
2346 DSAA.

2347 Q What is the reference to "above threshold" in

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2348 item 3? GJ X

2349 . A ~~Indicate~~ to me it meant indicate in the memo that

2350 the price that would have to be paid for 120 missiles would

2351 put it above the congressional notification thresholds;

2352 i.e., you would have to notify Congress.

2353 . Q What can you tell us about what General Powell told

2354 you about item 4?

2355 . A I simply don't remember.

2356 . Q Item 5?

2357 . A I don't remember that either, but, obviously, you JL X

2358 know, there ~~was a discussion of some~~ must have been a

2359 discussion at some point as, if we let Israel go ahead and

2360 deliver them and then we backfill, that's entailed in that

2361 procedure.

2362 . Q I see. And in that conversation about backfilling

2363 Israel first, was it known to you at that point who the

2364 ultimate--what country the ultimate destination was?

2365 . A Yes. Yes.

2366 . Q So that by the 21st of November you knew that these

2367 missiles were destined for Iran?

2368 . A Utterly clear.

2369 . Q Utterly clear?

2370 . A That we were talking about Iran, and that we were

2371 talking about Israel.

2372 . Q Were you also talking at that point about hostages?

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2373 . A Only because of Moel Koch's speculation.

2374 . Q Did you use the word "hostage" in any

2375 conversation at this time with General Powell?

2376 . A I really don't remember. Probably not. I was

2377 probably being fairly discreet about it all.

2378 . Q Number 6, what is--"Who and how pays?" Could you

2379 explain what that means?

2380 . A Well. ~~And~~ the question was how do you get the

2381 monies for them, because somebody would have to get money to

2382 ~~restore the money, you'd have to get the money to~~ buy the

2383 ones for the UAE that you'd taken from.

2384 . Q That was a question which General Powell asked you?

2385 . A Yes. That was ^{Peace Sun} ~~as~~ ^{son}, as you see.

2386 . I don't know whether he had asked me that in

2387 particular, but clearly by this time I was definitely

2388 thinking that if you were going to take them out of

2389 missiles, say, intended for the UAE you were going to have

2390 to buy new missiles to replace them, and you were not going

2391 to go to the UAE to get more money. You would have to get

2392 money from that customer to pay for them.

2393 . Q Had General Powell suggested any method of payment?

2394 . A No.

2395 . Q Had he suggested any structure to you?

2396 . A No.

2397 . Q All right. The next number, "Repercussions:

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2398 | Iraq, other selling countries, ' what was the genesis of
 2399 | that note?

2400 | . A I believe that I was asked by Powell to also put in
 2401 | my talking paper a list of the possible repercussions for
 2402 | the Secretary to use.

2403 | . Q So this is--

2404 | . A I don't think I would have volunteered that.

2405 | . Q So this constitutes a direction by General Powell--

2406 | . A Yes.

2407 | . Q --to include these points in your paper?

2408 | . A Yes.

2409 | . Q And number 8, 'How shipped'?

2410 | . A I don't know. That must have been a question from
 2411 | Powell; you know, how would we ship these if we had to?

2412 | . Q Again, was there any suggestion as to the method?

2413 | . A No.

2414 | . Q Why is that a particular question? Why does that
 2415 | pose a special problem?

2416 | . A I really don't know. You would certainly have to
 2417 | find somebody to carry them. You could either use our own
 2418 | resources, defense resources, or you'd find a commercial
 2419 | shipper. But you notice that, ⁱⁿ my ~~talk~~ ~~paper~~ ~~the~~ point
 2420 | paper I did didn't go into that, so I think I ducked that
 2421 | one.

2422 | . [Mr. Silber conferring with the witness.]

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2423 . THE WITNESS: I just don't know what that really
 2424 meant at that point.

2425 . BY MR. SABA:

2426 . Q My thought is that it would be related to your
 2427 notation on concealing the ultimate destination since the
 2428 shipping documents may or may not involve naming the
 2429 recipient country.

2430 . A Um-hum. That's possible.

2431 . Q Was that discussed in any detail?

2432 . A I don't remember. I don't remember anything like
 2433 that.

2434 . Q Looking at the exhibit, I can't help but notice an
 2435 arrow through the point to a notation that says, "Powell is
 2436 not agitated. Told NSC to ease up." Is that a notation--

2437 . A That is a reference on a previous page to a project
 2438 called ~~F-SON~~ ^{Peace Sun}, which I forget what that was, but that's--

2439 . MR. SAXON: --unrelated to these matters.

2440 . THE WITNESS: But unrelated to these matters.

2441 . MR. SILBER: Sale of F-15's to Saudi Arabia.

2442 . THE WITNESS: Yes.

2443 . BY MR. SABA:

2444 . Q It's a matter not related to these?

2445 . A Exactly.

2446 . Q And is it correct that notation--does that notation
 2447 have any relevance at all to the eight points?

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2448 . A No, it does not have any relevance to that.

2449 . Q All right. Upon making these notations in your

2450 work diary, what event next transpired?

2451 . A I produced the "talker."

2452 . Q When you refer to the "talker," you refer to a--

2453 . A --point paper which is entitled "Hawk Missiles for

2454 Iran."

2455 . MR. SABA: And we will make this Deposition Exhibit

2456 No. 8. This is a typewritten, two-page document, originally

2457 classified Secret.

2458 . MR. SILBER: I wonder who's declassified it, by the

2459 way.

2460 . MR. SABA: It originally appears to be undated. It

2461 states: "Point Paper. Hawk Missiles for Iran."

2462 . (A document was marked

2463 . Deposition Exhibit No. 8

2464 . for identification.)

2465 . BY MR. SABA:

2466 . Q Did you prepare this document?

2467 . A I prepared it and typed it on my own typewriter.

2468 . MR. SILBER: Stamp it.

2469 . THE WITNESS: And found the stamp, and stamped it

2470 myself. I forgot to put a date on.

2471 . BY MR. SABA:

2472 . Q I also note that it's not signed. Was that

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2473 intentional?

2474 . A No; a point paper by its nature is not a signed
2475 memorandum.

2476 . Q Do you recall the day on which you prepared this
2477 paper?

2478 . A No, but it had to be on the 21st of November.

2479 . BY MR. SAXON:

2480 . Q Why do you say that?

2481 . A Because my outline or points to be covered is dated
2482 November 21st from my diary, my work diary.

2483 . MR. SILBER: Why couldn't it have been the 22nd?

2484 . BY MR. SABA:

2485 . Q Could it not have been the 22nd?

2486 . A It could have been the 22nd. My own recollection,
2487 though, is that the MSC meeting could have happened on
2488 Thursday or Friday, and therefore I had to get it down there
2489 pretty quick.

2490 . Q So you had the understanding that it was for an MSC
2491 meeting--

2492 . A Yes.

2493 . Q --that week?

2494 . A Yes.

2495 . Q And Thursday would have been the--

2496 . A The 21st, yes, of November.

2497 . Q --the 21st November, and if the meeting was to be

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2498 that week it would be that day or the next?

2499 . A Yes.

2500 . Q On the 21st or on the day you prepared the point
2501 paper, did you have further discussions about its contents
2502 with Noel Koch?

2503 . A Not that I remember.

2504 . Q All right. Let us turn to the exhibits. I mean,
2505 to the exhibit. Exhibit 8.

2506 Your understanding, then, Exhibit 8 is your point paper
2507 intended to encompass the eight points shown in your work
2508 diary on the 21st of November, and intended to be responsive
2509 to the questions of General Powell which you originally
2510 wrote down in what has been--Exhibit No. 3?

2511 . A Yes.

2512 . Q Looking at the exhibit, look again at the second
2513 notation as to \$300,000, and there is a second sentence
2514 which says it is not a firm price, replacements could cost
2515 as much as \$437,700 apiece.

2516 . A That's right.

2517 . Q Were these numbers intended for the purchaser? Did
2518 you know?

2519 . A I didn't know. They're just strictly the--they cost
2520 300,000 now and if you went out to the contractor, the line
2521 having shut down and considering inflation, to buy the
2522 replacements would cost this much. And that was an estimate

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2523 provided to me by the Army.

2524 . Q All right. Moving down the page--

2525 . MR. SILBER: Could that have been that 146 figure

2526 that you were wondering about earlier? The differential?

2527 . THE WITNESS: Could be.

2528 . MR. SAXON: But it doesn't come out in terms of

2529 the--

2530 . MR. SILBER: Doesn't come out exactly.

2531 . THE WITNESS: It comes close, though. He might

2532 have said it cost 146,000 more to produce new ones, but

2533 that's just speculation on our part.

2534 . BY MR. SABA:

2535 . Q All right. Moving down the point paper to the

2536 paragraph headed "The modalities for sale to Iran present

2537 formidable difficulties."

2538 . A Um-hum.

2539 . Q Could you explain the basis for the first point

2540 under that which states, "Iran is not currently certified

2541 for sales, including indirectly as a third country, per Sec.

2542 3 of the AECA"? Did you know that statement to be true of

2543 your own knowledge?

2544 . A That was my understanding at the time.

2545 . Q And how did you obtain that understanding?

2546 . A I guessed. I figured given the embargo, mostly

2547 because of the fact that we had embargoed any further

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2548 deliveries to Iran as a result of the Shah falling in 1979,
2549 that that embargo continued and many cases were tied up in
2550 international litigation, and that therefore from my
2551 standpoint I considered them not to be currently
2552 certifiable.

2553 . Q Looking at the three subpoints in this paragraph,
2554 each of which appear to state a legal proposition, did you
2555 compose these three items from your own knowledge?

2556 . A Yes.

2557 . Q Did you refer to Mr. Silber?

2558 . A No. The only question I ever asked Silber was
2559 what's the section that applies to third-country transfers,
2560 and he said 3(d).

2561 . Q Did you make that request in connection with the
2562 preparation of this memorandum?

2563 . A Or maybe earlier, when Colin Powell had first asked
2564 me what were the legal complications of a third-country
2565 transfer.

2566 . Q Do I take it that in preparation for writing these
2567 three paragraphs you did not go to Mr. Silber with the facts
2568 and request a detailed legal exposition?

2569 . A No. No.

2570 . Q Did you seek any other advice or assistance?

2571 . A No.


2572 . Q Did you have access to legal material?

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2573 . A I had the ~~here's the book. The~~ brown book, 
2574 entitled Legislation on Foreign Relations Through 1985,
2575 dated April '86. So I was using its predecessor.
2576 . Q So, other than requesting a section of the AECA
2577 from Mr. Silber, you made no other inquiries--
2578 . A That's correct.
2579 . Q --in expressing your legal opinion?
2580 . A Right.
2581 . Q Did you do that of your own initiative or did
2582 anyone ask you not to consult with anyone?
2583 . A Well I did that of my own initiative?
2584 . MR. SILBER: You knew, you were told it was a hush-
2585 hush project.
2586 . THE WITNESS: Certainly it was a hush-hush project.
2587 And I thought if I could handle it in this way, in this
2588 detail without consulting further, I would.
2589 . BY MR. SABA:
2590 . Q Did anyone tell you not to consult further?
2591 . A Well they conveyed to me in the strongest terms
2592 that this is a very hush-hush project and I got the clear
2593 sense that the lives of the hostages might be at stake here.
2594 So that I certainly knew well enough not to tell anybody
2595 what it was about.
2596 . Q Did either General Powell or Noel Koch tell you or
2597 convey to you the impression that you should obtain

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2598 additional legal advice?

2599 . A No.

2600 . Q I take it in looking at the second of these

2601 subparagraphs as to congressional notification--

2602 . A Um-hum.

2603 . Q What was the source of your information for this

2604 paragraph?

2605 . A 36(b) itself.

2606 . Q You consulted the text of the statute?

2607 . A Yes. Right. In effect, this is an encapsulation

2608 of the statute.

2609 . Q Would it be fair to say that prior to your writing

2610 this memo you had general familiarity with the statutes?

2611 . A Right. Especially 36(b). I hadn't ever really

2612 explored 3(d) before.

2613 . MR. SILBER: As a matter of fact, there's an error

2614 in 3(d). The 30 days can be waived, I believe.

2615 . THE WITNESS: Oh, okay. Well, I tried to read it

2616 as closely as I could.

2617 . BY MR. SABA:

2618 . Q Prior to writing this memo had you had occasion in

2619 the past in the course of your duties to provide legal

2620 advice to anyone else concerning--

2621 . A I'm not a lawyer and I don't provide legal advice.

2622 . Q Turning your attention to the third one, to the

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2623 third subparagraph, it states: "Thus, even if the missiles
2624 were laundered through Israel, Congress would have to be
2625 notified."

2626 . A That's a reference to section 3(d).

2627 . Q What did you understand the word "laundered" to
2628 mean?

2629 . A It could mean one of a couple of things. One is
2630 you could take a certain number of missiles from this
2631 country and stage them through Israel on to Iran, or you
2632 could let Israel sell Hawks out of its own stocks and then
2633 backfill them with deliveries from the United States.
2634 Either way to me constituted laundering missiles through
2635 Israel to Iran.

2636 . Q Were these three subparagraphs concerning the
2637 legalities of the transfer discussed further between you and
2638 General Powell?

2639 . A No, I had no further discussion with him. I
2640 delivered the original copy of this point paper to him and
2641 that's the last I heard of this particular point paper.

2642 . Q Did you discuss these legalities further with Noel
2643 Koch?

2644 . A No.

2645 . Q With Mr. Silber?

2646 . A No.

2647 . Q With anyone else in the Department of Defense?

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2648 . A No.

2649 . BY MR. SAXON:

2650 . Q You delivered this yourself to General Powell?

2651 . A Yes.

2652 . BY MR. SABA:

2653 . Q Were additional copies made?

2654 . A I made a copy which I kept in my safe.

2655 . Q Did you provide Noel Koch with a copy?

2656 . A I don't remember; I might have. It would be

2657 consistent with the way we do things.

2658 . Q Did you deliver this by hand to General Powell?

2659 . A Yes. Yes, I did.

2660 . Q In his office?

2661 . A As I remember, yes.

2662 . Q And do you know the day when you delivered it?

2663 . A No.

2664 . MR. SILBER: Did you give a copy to Gast the

2665 following week?

2666 . THE WITNESS: I don't ~~remember~~ remember.

2667 . MR. SABA: The question has been asked as to

2668 whether Dr. Gaffney gave a copy of the point paper to

2669 Director Gast upon his return to the office.

2670 . THE WITNESS: I simply don't remember. I certainly

2671 did inform him of it.

2672 . BY MR. SABA:

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2673 . Q We will come to that. But focusing on the point
2674 paper itself, did you provide a copy to Glenn Rudd, the
2675 Deputy Director, on his turn?

2676 . A I don't remember. I physically don't remember, but
2677 to do so would have been consistent with my passing the
2678 project off back to them.

2679 . Q Continuing with the paper itself, the next group of
2680 paragraphs speaks to breaking the sale into three or four
2681 packages in order to evade congressional notice.

2682 . A Um-hum.^h

2683 . Q Had it been suggested to you to find a way to
2684 structure the transaction in order that it could be done and
2685 evade congressional notice?

2686 . A No. About the only reference is back to whatever
2687 exhibit it was that the handwritten notes were on based on
2688 my conversation with Colin Powell where-- "'What notices?
2689 Break into small packages?'"

2690 . Q Are you aware of the legal difference between the
2691 word "evade" and "avoid"?

2692 . A No. I'm not even sure of the word "laundered,"
2693 it's legal status.

2694 . Q In the first paragraph there is a reference that
2695 all Administrations have observed a policy against the
2696 splitting up.

2697 . A Um-hum.^h

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2698 . Q Did you know that from your own knowledge?

2699 . A Yes, basically my own knowledge. I can't say that

2700 I had any track record of it, but it's just that there was

2701 no case that I had ever heard of where we had split to get

2702 past, to avoid a congressional notification.

2703 . Q And in this next subparagraph, what was the basis

2704 on which you referenced in particular Chairmen Lugar and

2705 Fasel?

2706 . A It was pure speculation on my part. That if you

2707 went up and tried to work a deal with Congress, maybe you

2708 could do something like this.

2709 . Q Was this paragraph based on any of your readings of

2710 the statutes?

2711 . A No, it has nothing to do with the statutes.

2712 . Q Did you mention those gentlemen because of their

2713 capacity as the chairmen of the--

2714 . A Solely as their capacity and not because of

2715 anything I knew about their predilection to go along with

2716 such a scheme.

2717 . Q Moving to the second page, of the political points,

2718 I take it from your testimony just a little earlier that the

2719 listing of political drawbacks is in response to General

2720 Powell's request to be negative.

2721 . A Yes. And to discuss the repercussions.

2722 . Q And do these drawbacks reflect facts from your own

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2723 | Knowledge?

2724 | . A These are entirely out of my own head, based on my

2725 | own background.

2726 | . Q Did you consult anyone else in preparing these

2727 | facts?

2728 | . A No.

2729 | . MR. SABA: I have no further questions on the point

2730 | paper, itself.

2731 | . MR. SAXON: I have one or two quick ones.

2732 | . BY MR. SAXON:

2733 | . Q Dr. Gaffney, to the best of your knowledge, was it

2734 | an accurate statement that Iran was not currently certified

2735 | for sales, including directly as a third country, for

2736 | section 3 of the AECA?

2737 | . A I can't say that it was, I don't know. But I

2738 | questioned the--to the extent I knew it, it was accurate.

2739 | . Q And that would be true likewise for the statement

2740 | that Congress must be notified of all sales of \$14 million

2741 | or more?

2742 | . A Yes. That was a simple read right out of the law.

2743 | . Q And likewise, the statement that even if the

2744 | missiles were laundered through Israel Congress would have

2745 | to be notified?

2746 | . A That was my reading out of section 3(d).

2747 | . Q Your statement that the customer countries, UAE and

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2748 Korea, would have to be told that their deliveries had been
2749 rescheduled--
2750 . A Um-hum.
2751 . Q --would you care to render an opinion as to whether
2752 that would have had any diplomatic repercussions?
2753 . A It would certainly have diplomatic repercussions.
2754 It's a serious inhibition to performing the sale.
2755 . Q With regard to the next page in which you discuss
2756 specifically the political drawbacks, even though you didn't
2757 consult anyone and even though these statements were your
2758 own, you say they were drawn from your experience; is that
2759 correct?
2760 . A Yes.
2761 . Q So would it be your opinion at the time, would it
2762 have been your opinion that if Iraq found out, as you say,
2763 they would be greatly irritated?
2764 . A Um-hum.
2765 . Q And did you believe, as you stated, that if Saudi
2766 Arabia and the other Gulf States found out they would also
2767 be irritated and alarmed?
2768 . A Yes.
2769 . Q And was it your best judgment at the time that if
2770 Israel were the laundering country they would be greatly
2771 encouraged to continue selling arms to Iran?
2772 . A That is my best judgment.

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2773 . Q And in fact, we had [REDACTED] reports,
2774 perhaps unverified, that Israel had been selling arms to
2775 Iran and this is something that was a point of tension
2776 between our two countries?

2777 . A That is correct.

2778 . Q And you stated that if the sale became known all
2779 bars would be removed from other countries with which we had
2780 been having the same problems; specifically, Spain,
2781 Portugal, Greece, United Kingdom, Italy, and Germany, is
2782 that correct?

2783 . A That would be sort of the end of Operation Staunch,
2784 wouldn't it?

2785 . Q Yes, sir.

2786 And finally, you indicate that there would perhaps be the
2787 risk of prolonging and intensifying the Iran-Iraq war and
2788 compromising our influence over Israel and other countries
2789 to restrain sales. And so, in your judgment at the time,
2790 was that an accurate statement?

2791 . A That was my judgment, yes.

2792 . MR. SAXON: Thank you.

2793 . MR. GENZMAN: Could I follow up with a question or
2794 two?

2795 . MR. SABA: All right. Sure.

2796 . MR. GENZMAN: Are you ready to move on?

2797 . MR. SABA: I'm ready to move on.

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2798 . MR. GENZMAN: Fine. Let me ask a question or two
2799 about this.

2800 . BY MR. GENZMAN:


2801 . Q With regard to the use of your terms "'laundering'"
2802 and "'evade,'" were these used by you in the context of
2803 putting a negative slant on the paper?

2804 . A Yes, indeed. Yes.

2805 . MR. SILBER: You don't know the difference between
2806 "'evade'" and "'avoid.'"

2807 . THE WITNESS: No, I still don't.

2808 . BY MR. GENZMAN:

2809 . Q And with regard to your political drawbacks, can
2810 you state whether or not you overstated some of these
2811 political drawbacks in the context of putting a negative
2812 slant on the issue? 

2813 . A Those are not overstatements. Those were felt from
2814 the heart at the time. There was a deep conviction that
2815 those were the kind of repercussions you had to anticipate.

2816 . MR. GENZMAN: Very good. Thank you.

2817 . BY MR. SABA:

2818 . Q Dr. Gaffney, you have testified that you took this
2819 paper and hand-carried it to General Powell. Do you recall
2820 the day you gave it to him?

2821 . A No, I do not.

2822 . Q And did he make further inquiry of you on this

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2823 matter?

2824 . A No, he did not.

2825 . Q At that time?

2826 . A Right.

2827 . Q Ever again?

2828 . A Not that I remember, no.

2829 . Q And at the end of that week or the commencement of

2830 the following week did you make a report on this matter to

2831 General Gast or Mr. Rudd?

2832 . A I made a report on it to General Gast.

2833 . Q And when did you do that?

2834 . A That would have been presumably Monday morning, the

2835 25th of November, when he was back.

2836 . Q And what did you tell him?

2837 . A Oh. Hard to say, but ~~I probably~~ it is highly

2838 likely that I showed him the point paper and said I prepared

2839 this for Colin Powell.

2840 . Q Did you give him a copy?

2841 . A I don't remember.

2842 . Q Did you tell him the matter involved possible

2843 transfer of Hawk missiles to Iran?

2844 . A Yes.

2845 . Q And did you express to him--

2846 . A And I would have said that he had something to do

2847 with the hostages as well.

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2848 . Q And what was his response?
2849 . A He just took it in. He did not make any specific
2850 response.
2851 . Q Did he ask further questions of you?
2852 . A No.
2853 . BY MR. SAXON:
2854 . Q Have you subsequently asked him if you gave him a
2855 copy of the paper?
2856 . A No, I have not.
2857 . BY MR. SABA:
2858 . Q I'd like to show you a copy from your work diary,
2859 page 40, dated 25 November 1985--and it will become Exhibit
2860 9. And I direct your attention to a small notation in the
2861 middle of the page stating 360 missiles diverted from Iran.
2862 Why is that entry on that day?
2863 . A I have no idea now looking at it as it springs up
2864 on the 25th of November.
2865 . Q Could that be in response to a request made to you
2866 by General Gast?
2867 . A It's possible, but ~~(the point)~~ I think at that time
2868 I'm not likely to have been the one that he would go to for
2869 such a question, so I really can't connect this to anything
2870 else.
2871 . BY MR. SAXON:
2872 . Q If I can ask you about that same entry, Dr.

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2873 Gaffney. It seems quite simple to me.

2874 You told us in the very beginning when you first inquired
2875 into these matters you found out that 1,442 Hawks over the
2876 life of our dealings with Iran had been delivered; is that
2877 correct?

2878 . A Yes, that's right.

2879 . Q And you told us that 360 additional Hawk missiles
2880 had been bought by Iran prior to the fall of the Shah, but
2881 then were not delivered; is that correct?

2882 . A Yes.

2883 . Q And this page has both of those notations.

2884 . A Yes.

2885 . Q It says 1,442 delivered and 360 Hawk missiles
2886 diverted from Iran.

2887 . A Um-hum.

2888 . Q Wouldn't that seem to suggest these 360 missiles
2889 they had bought but were not delivered went elsewhere?

2890 . A Yes. Other customers were found for them I'm sure.

2891 . BY MR. SABA:

2892 . Q And you came to that knowledge, perhaps, on that
2893 day?

2894 . A That knowledge would have been obtained from the
2895 printout that I had gotten earlier that week--or earlier the
2896 previous week.

2897 . Q Do you know what other customers would have

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2898 received those 360?

2899 . A No. Although all of that information would be
2900 available from DSAA, but I don't know if that's relevant.

2901 . MR. SILBER: Let me just mention that it is
2902 conceivable that some of the 360 were not "delivered" in a
2903 physical sense but were title transferred, and that would
2904 become what we call Iranian-titled assets and we would have
2905 them. They wouldn't be sold to anyone else except with the
2906 consent of Iran.

2907 . MR. SAXON: Part of the frozen assets.

2908 . THE WITNESS: Part of the frozen assets.

2909 . MR. SILBER: Yes.

2910 . THE WITNESS: Although I would doubt that very
2911 much, Jerry, because when I say "diverted," it means that
2912 they were diverted to--

2913 . MR. SILBER: Oh, sure. If you were to use the word
2914 "diverted," that undoubtedly means that they were sold to
2915 somebody else, not just kept in storage.

2916 . THE WITNESS: And I remember there was a TS2-73, a
2917 sort of missile-minder system, which had been titled but I
2918 think was impounded.

2919 . MR. KREUZER: So the 360 diverted, the diverted
2920 would apply to, say, the period since we froze their assets?

2921 . THE WITNESS: That's right. Somewhere between '79
2922 and '85. They've sold off.

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2923 BY MR. SABA:

2924 Q Do you know if the point paper in fact was given by
2925 General Powell to Secretary Weinberger?

2926 A I have no idea.

2927 Q Do you know if there was a meeting of the NSC in
2928 which this paper was presented by the Secretary?

2929 A I have no idea.

2930 Q Do you know if General Powell took the paper to
2931 anyone else?

2932 A No, I do not know.

2933 Q I would like to call your attention to a work diary
2934 entry dated 6 December 1985, page 55, and it will be
2935 Deposition 10.

2936 (A document was marked

2937 Deposition Exhibit No. 10

2938 for identification.)

2939 BY MR. SABA:

2940 Q And I would call your attention to the notation in
2941 the upper left-hand side which makes reference to numbers of
2942 TOW's. Can you give us information about this entry?

2943 A My memory of all this is very hazy indeed. ~~I know~~
2944 ~~that I said~~ I've tried to remember how I got into the TOW
2945 question. But, obviously, in early December, about two
2946 weeks after the Hawk question arose, something happened ^{which} ~~when~~
2947 got me back into the loop, doing the same kind of exercise

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2948 | on TOW missiles.

2949 | MR. SAXON: Let's go off the record a second.

2950 | [Discussion off the record.]

2951 | BY MR. SABA:

2952 | Q Dr. Gaffney, I would show you now a copy of

2953 | handwritten notes. I will tell you that these notes have

2954 | been prepared by Noel Koch in approximately April 1986, and

2955 | I would direct your attention to the very first entry on the

2956 | note which says, TOW discussed separately with Rudd and

2957 | Gaffney in December, and ask you if that helps in your

2958 | recollection pertaining to your own diary entry for the 6th

2959 | of December, 1985?

2960 | A Yes. Along with my diary entry on 6 December, it

2961 | tends to confirm that.

2962 | (A document was marked

2963 | Deposition Exhibit No. 11

2964 | for identification.)

2965 | BY MR. SABA:

2966 | Q Do you recall then the source of inquiry to you

2967 | that caused you to write that note? Who called you?

2968 | A I really don't remember. I have this feeling that

2969 | it was Armitage at that point, but I'm not sure.

2970 | Q Could it have been Noel Koch who called you?

2971 | A Could be.

2972 | Q But you don't recall?

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2973 . A I don't recall.

2974 . Q All right. Looking at the notation itself, could

2975 you look at it again and try to explain what it signifies?

2976 . A Notice up on the upper left-hand corner it says 164

2977 minus 77, which happens to be the numbers of Hawk missiles

2978 that had been discussed before. And it almost strikes me

2979 that people have said, well, we're not about to take away 77

2980 missiles from the UAE. You would leave us only 87 to deal

2981 with and that might not be enough. So now we're looking at

2982 TOW.

2983 . Q Where would you have obtained this information

2984 from?

2985 . A The numbers?

2986 . Q The reference is made to Army inventory,

2987 scheduling, shipping dates. Would you have called someone

2988 else to obtain that information?

2989 . A Seems to me at that time--well why I knew 3,300 TOW

2990 missiles were in play, I am not sure. I went to one of the

2991 members of my staff who buys TOW's for the Special Defense

2992 Acquisition Fund and I said, what do TOW's cost these days?

2993 . Q Who would that have been?

2994 . A That was Lanny James.

2995 . Q L-a-n-n-a-y?

2996 . A L-a-n-n-y. His name is, formally, Langley James.

2997 And I said, 'What are TOW's costing these days?' and the

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2998 | upper limit he gave me was about \$11,000 for a TOW II.
2999 | Well, I can't say whether it was I-TOW or TOW II. So I used
3000 | an upper limit.
3001 | . BY MR. SAXON:
3002 | . Q And that's what the figure 11,000 represents?
3003 | . A That's right.
3004 | . BY MR. SABA:
3005 | . Q And what about the figure 3,300? Where did that
3006 | come from?
3007 | . A That must have come from Koch or Armitage.
3008 | . Q Did you understand this inquiry to be along the
3009 | same lines as--
3010 | . A Absolutely.
3011 | . Q --as the other inquiry?
3012 | . A Yes.
3013 | . Q That is, weapons destined for Iran?
3014 | . A Yes, that is correct.
3015 | . Q Did you provide this information to anyone?
3016 | . A Provided it to Glenn Rudd.
3017 | . Q Did you provide it to Noel Koch?
3018 | . A Possibly, but I don't remember it.
3019 | . Q General Powell?
3020 | . A I don't remember that he was in the loop, or that I
3021 | went to him on this occasion.
3022 | . Q Could the inquiry have come from Glenn Rudd?

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3023 . A Glenn would be unlikely to tap me for this
3024 particular piece of information.

3025 . Q So someone else tapped you?

3026 . A Right.

3027 . Q Why would you then give the info in this case to
3028 Rudd?

3029 . A It may have been, just to speculate for a moment
3030 without knowing where Glenn was on that day, that he was the
3031 Acting Director on that day, and that maybe he wasn't
3032 available at the moment and the requirement came to me
3033 because I had been involved in it previously. ~~Because~~ I
3034 have the feeling that I did run around on it a little bit
3035 and then when Rudd came back I turned the thing over to him.

3036 . BY MR. SAXON:

3037 . Q You indicated that this most likely came from
3038 either Noel Koch or Rich Armitage; is that correct?

3039 . A Yes. ~~He is.~~

3040 . Q Would you think it was possible that it could have
3041 come from Mr. Armitage?

3042 . A Because previously Koch had been the Acting ISA,
3043 and now Armitage was back as ISA. And I do distinctly
3044 remember ~~him, remember~~ talking to him about this in some
3045 way.

3046 . Q Around this time?

3047 . A Yes.

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3048 . Q So you're very clear you talked to Mr. Armitage
3049 sometime early December '85 about TOW's to Iran?
3050 . A Yes, I'm pretty sure.
3051 . Q Do you have any diary entries previous to 6
3052 December that show any conversations with Mr. Armitage?
3053 . A Nothing between that cryptic reference to 360 Hawks
3054 on November 25th and this on 6 December. Sometimes it's
3055 hard to find stuff but I went through in great detail to see
3056 if I could find anything.
3057 . Q And you believe you would have gotten the figure of
3058 3,300 from Secretary Armitage?
3059 . A Yes. I would have got it from on high somewhere, *JK*
3060 Armitage or ~~Co~~^{Koch} I wouldn't have dreamed it up. *X*
3061 . BY MR. SABA:
3062 . Q Did you have further discussions after the 6th of
3063 December with Secretary Armitage on these TOW's?
3064 . A Not that I remember.
3065 . Q With Noel Koch?
3066 . A No.
3067 . Q I'd like to show you another piece of paper, which
3068 is from the diaries of Noel Koch--it would be Exhibit 12,
3069 now--and it is a photocopy, but I would direct your attention
3070 to the entry for approximately 2:00 p.m. and it indicates a
3071 conversation with you. Do you recall that conversation?
3072 . A No, I don't.

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3073 . (A document was marked
3074 . Deposition Exhibit No. 12
3075 . for identification.)
3076 . BY MR. SABA:
3077 . Q Do you have any--
3078 . A And I notice that Glenn Rudd comes in at 2:44 on
3079 this.
3080 . Q Yes. Do you have any recollection of whether that
3081 conversation involved obtaining information on the TOW's
3082 from you?
3083 . A I do not remember.
3084 . Q Is it possible?
3085 . A It's very hard to believe. I'll turn to my own
3086 record and look.
3087 . Q Please.
3088 . BY MR. SAXON:
3089 . Q For what it's worth, this notation which comes from
3090 Mr Koch's diary indicates MLK--Noel L. Koch--Acting Assistant
3091 Secretary of Defense, so he was the Acting at that time on
3092 January 7th.
3093 . A Yes. It could have been some other question that
3094 came up, but my pages on January 7th and 8th don't show
3095 anything like that.
3096 . Q Do they show any meeting with General Powell on--
3097 . [Mr. Silber conferring with the witness.]

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3098 . BY MR. SAXON:

3099 . Q Does your diary show any entry on 8 January for a

3100 meeting with General Powell or the provision of anything to

3101 Noel Koch for General Powell?

3102 . A Nothing on that whatsoever.

3103 . BY MR. SABA:

3104 . Q Do you know if the information on TOW's was

3105 included in a paper provided to someone in connection with

3106 TOW's?

3107 . A Yes. It was almost an exactly similar point paper

3108 which was prepared ~~(Saxon)~~ Glenn Rudd I think took a copy of

3109 this and converted it into a memo concerning TOW's, and he

3110 expanded on it. Yes. And we talked about that paper. I

3111 remember cutting and pasting.

3112 . Q When was this?

3113 . A This had to be in December, early December of '85.

3114 And I had a copy of that for a couple of days, and Armitage

3115 told me to destroy it.

3116 . Q You had a copy of what?

3117 . A The TOW paper. A point paper very similar to this

3118 but about TOW's.

3119 . Q All right, let's see if I can reconstruct. You

3120 provide the point paper to General Powell on or about the

3121 22nd of November.

3122 . A Um-hum.

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3123 . Q Approximately the following week, you discuss the
3124 matter with General Gast, and apparently with Mr. Rudd and
3125 provide Mr. Rudd a copy of the point paper.
3126 . A ^{Uh-huh.} ~~Uh-huh.~~ I discussed the matter on November 25th
3127 in the early morning with General Gast when he returned to
3128 work and probably showed him the point paper I had provided
3129 to Colin Powell.

3130 . BY MR. SAXON:

3131 . Q This is Hawks?

3132 . A This is on Hawks.

3133 . Q Okay.

3134 . A Then apparently two weeks later the TOW issue came
3135 up, in early December, and there I found myself in the loop
3136 with Armitage and with Rudd.

3137 . BY MR. SABA:

3138 . Q And Rudd?

3139 . A Yes.

3140 . Q And Rudd had a copy of your point paper?

3141 . A Yes.

3142 . Q Is it a copy that you furnished to him?

3143 . A Yes.

3144 . Q At that time or the prior time?

3145 . A Yes, so he could model the TOW paper--

3146 . Q At that time?

3147 . A --that he then got into on that. In fact, I

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3148 | probably turned out--I don't know. No. No. Let me
3149 | just--it's very hard for me to remember it. But what I might
3150 | have done was start a TOW paper based on this and turned
3151 | that TOW paper over to Rudd, who then further worked it and
3152 | refined it and took it on from there.

3153 | MR. SILBER: But you talked to Glenn about cutting
3154 | and pasting?

3155 | THE WITNESS: Well, that's right. ~~Because yes~~ *SLX*
3156 | What I think I had done was take copies of this and cut out
3157 | the first parts having to do with Hawks, take the bottom
3158 | parts having to do with transfers, and starting with the
3159 | Hawk material on top, go on through the legal issues as I
3160 | saw them.

3161 | MR. SILBER: Yes.

3162 | BY MR. SAXON:

3163 | Q And you understood that Mr. Rudd presented that
3164 | point paper on TOW's to Richard Armitage?

3165 | A Yes.

3166 | Q If you will look back at Exhibit 11--

3167 | A Which was what?

3168 | Q Gaffney Exhibit 11, and those are the handwritten
3169 | notes of Noel Koch. Right here.

3170 | A Yes.

3171 | Q If you will look at item no. 4.

3172 | A Um-hum. *h* *X*

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3173 . Q It says, "'TOW paper locked in RLA safe, wouldn't
3174 let Rudd keep copy.'"
3175 . A Yes.
3176 . Q Would that seem to be the TOW paper to which you
3177 have reference?
3178 . A Yes.
3179 . Q Thank you.
3180 . BY MR. SABA:
3181 . Q For whom was this paper intended?
3182 . A My assumption was it's the same sort of thing.
3183 Weinberger was still going to meetings at the White House on
3184 this subject.
3185 . Q Did anyone tell you that?
3186 . A No.
3187 . BY MR. SAXON:
3188 . Q And you say that Mr. Armitage asked you to destroy
3189 the point paper?
3190 . A Yes.
3191 . Q And, as far as you know, was it destroyed?
3192 . A I destroyed my copy.
3193 . BY MR. GENZMAN:
3194 . Q When did he ask you to destroy it?
3195 . A Just about this time. About early December.
3196 . Q And when did you destroy it?
3197 . A At that time.

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3198 . BY MR. KREUZER:
3199 . Q That's the TOW paper?
3200 . A That's the TOW paper.
3201 . Q Which Mr. Rudd refined?
3202 . A Yes.
3203 . Q And gave to Mr. Armitage?
3204 . A Yes.
3205 . Q And was subsequently told by Mr. Armitage he
3206 couldn't have access to it again?
3207 . A Yes, I guess so. Yes.
3208 . BY MR. SAXON:
3209 . Q But you had a completed copy, as I understand your
3210 testimony. After Mr. Rudd finished it, he gave you a copy?
3211 You said you had it for a couple of days. 
3212 . A No. I would say I ~~had the~~ certainly had the
3213 earlier drafts and certainly drafts of what I had prepared
3214 first which Rudd then worked over. I can't say that I had
3215 Rudd's final version.
3216 . Q But whatever drafts you had is what Mr. Armitage
3217 asked you to destroy?
3218 . A That's correct.
3219 . BY MR. GENZMAN:
3220 . Q Was anything said about destruction of the Hawk
3221 paper?
3222 . A No.

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3223 . MR. SILBER: And so you kept it?

3224 . THE WITNESS: I kept it.

3225 . BY MR. SABA:

3226 . Q Returning again to Mr. Koch's calendar of the 7th

3227 of January, does this conversation assist you in recalling

3228 what that meeting might have been about?

3229 . A No.

3230 . [Off the record.]

3231 . BY MR. SABA:

3232 . Q Do you recall if this matter came up at all?

3233 . A No. I have no recollection whatsoever.

3234 . [Mr. Silber conferring with the witness.]

3235 . MR. SAXON:

3236 . Q Let me catch up with one item that there appears to

3237 be a gap on.

3238 You indicated that from Noel Koch's handwritten notes it

3239 would appear that when he says, "TOW paper locked in RLA

3240 safe," that's the one of which you had knowledge. That

3241 would mean at some point Noel Koch had to have become aware

3242 that there had been prepared a TOW paper.

3243 . A Sure.

3244 . Q Did you make him aware of that?

3245 . A I doubt that I would have volunteered it.

3246 . Q To your knowledge, did Mr. Rudd make him aware of

3247 it?

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3248 . A I don't know. ~~I wouldn't~~ QK X

3249 . Q Let me ask it this way. Would you know who made

3250 Noel Koch aware that--

3251 . A No, I would not.

3252 . Q Thank you.

3253 . BY MR. GENZMAN:

3254 . Q Did Armitage say why he wanted the TOW paper

3255 destroyed, whatever you had? G X

3256 . A No. I think it was just, ^{||} there's a lot of

3257 sensitivity for all this and we've got to keep it as close

3258 hold as possible. ^{||}

3259 . MR. SILBER: How did Armitage know that you had a

3260 copy?

3261 . THE WITNESS: Because he was in the loop and I

3262 believe, without recalling it specifically, that I went with

3263 Glenn Rudd to see him about the subject.

3264 . MR. SILBER: And he asked if you had a copy?

3265 . THE WITNESS: Yes. Right.

3266 . BY MR. GENZMAN:

3267 . Q Did he indicate that he just wanted your copy

3268 destroyed, as opposed to every copy?

3269 . A It was a general thing: I think we should destroy

3270 all copies.

3271 . Q Did anyone ever bring up the fact that there were

3272 also in existence Hawk papers?

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3273 . A No. No, because he hadn't been in on that one
3274 earlier.

3275 . BY MR. SABA:

3276 . Q Did you see the final TOW paper?

3277 . A I may have but I don't remember it.

3278 . Q Do you recall when it would have been completed?

3279 . A It would have certainly been completed very early
3280 in December, at that time. Well I don't know. I think Rudd
3281 had owed a product just about that time and he delivered it.
3282 It further went through a subsequent revision, though.

3283 . Q From your testimony, I have the impression that it
3284 was being prepared rather hurriedly, because there was a
3285 reference to cut and paste and provision of some earlier
3286 ideas.

3287 . A Yes.

3288 . Q Is it possible that the paper was prepared within a
3289 day or two of the 6th of December?

3290 . A Absolutely.

3291 . BY MR. GENZMAN:

3292 . Q From your recollection of the TOW paper, are you
3293 able to say whether it was any more sensitive than the Hawk
3294 paper?

3295 . A No.

3296 . BY MR. SABA:

3297 . Q Is it possible the paper would have been completed

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3298 | by the morning of the 7th of December?

3299 | . A Let's see. My note that I had on that subject was

3300 | the 6th of December, wasn't it?

3301 | . Q Yes.

3302 | . A I'm sure it was just about wrapped up.

3303 | . BY MR. SAXON:

3304 | . Q Were you told, as with the Hawk paper, that this

3305 | paper was being prepared for an upcoming meeting at the

3306 | White House, an MSC meeting or other meeting?

3307 | . A No, I don't remember. I had the impression, I

3308 | carried the impression that it was the same sort of scenario

3309 | because I remember kind of saying to myself, my God, they

3310 | can't wrap it up if they keep having more meetings on this

3311 | subject.

3312 | . MR. SILBER: But if the Hawk paper was successful,

3313 | that might explain why you cut and paste. In other words,

3314 | if the SECDEF found it favorable, the first--

3315 | . THE WITNESS: Oh, sure.

3316 | . MR. SILBER: So you might cut and paste.

3317 | . BY MR. SABA:

3318 | . Q If we were to suggest to you that there was a

3319 | National Security Council meeting on the 7th of December--

3320 | . A Um-huⁿ. X

3321 | . Q --at which these matters may have been discussed,

3322 | would it seem correct then that this paper was being

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3323 prepared for that meeting?

3324 . A It would seem correct, and it could have been

3325 practically produced in time for a meeting on the 7th.

3326 . BY MR. GENZMAN:

3327 . Q Did you ever receive any feedback--

3328 . A No.

3329 . Q --regarding the use of the Hawk paper--

3330 . A No.

3331 . Q --or the TOW paper?

3332 . A No.

3333 . BY MR. SABA:

3334 . Q Did you see the paper following the 7th of

3335 December, 1985?

3336 . A No.

3337 . Q Did you have any further occasion to discuss it

3338 with anyone?

3339 . A Not that I remember.

3340 . Q Were you requested to provide any additional

3341 information concerning TOW's or HAWK's?

3342 . A No, that's the last I was into it. I think I, in

3343 the earlier interview, Roger, I was Acting Director from

3344 February 20th through 25th and I thought I was in it then.

3345 I thought that's when the TOW's came up, but this subsequent

3346 recollection says it was rather back in December.

3347 . Q In order to make the record correct, are you

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3348 suggesting that at an earlier time, perhaps in an interview
3349 with some of us, you had a recollection that in February of
3350 1986 you got involved in a TOW matter in Iran?

3351 . A Yes.

3352 . Q Is it correct to say that you do not have that
3353 recollection now?

3354 . A That's correct.

3355 . Q Is it correct to state that you were not involved
3356 in TOW's or HAWK's or the Iranian matter in February of
3357 1986?

3358 . A That's right.

3359 . Q And is it correct to state, then, that that earlier
3360 reference is actually a reference to the period of December
3361 1985?

3362 . A Yes.

3363 . Q And that you have corrected your earlier impression
3364 by reference to your work diaries?

3365 . A That's right.

3366 . BY MR. SAXON:

3367 . Q And for the record, when you refer to an earlier
3368 interview would that be an interview with the House and
3369 Senate staffs with you on April 10th?

3370 . A Yes. It was with Roger and Bud Aldridge and John
3371 Nields.

3372 . Q Bud Albright.

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3373 . A Bud Albright, rather.

3374 . Q Yes.

3375 . [Discussion off the record.]

3376 . BY MR. SABA:

3377 . Q Finally, Dr. Gaffney, I want to show you this

3378 document, which is a handwritten note 12 December 1986 on

3379 DSAA notepad.

3380 . A Um-hum. ^h

3381 . MR. SABA: This would be Exhibit 13.

3382 . (A document was marked

3383 Deposition Exhibit No. 13

3384 for identification.)

3385 . BY MR. SABA:

3386 . Q Do you recognize the note?

3387 . A Yes. It's my notes, my handwriting and it was done

3388 at Jerry Silber's suggestion when I turned this document

3389 over to him.

3390 . Q So that note was handwritten by you on the occasion

3391 of your providing Mr. Silber with the original of the Hawk

3392 point paper?

3393 . A Providing him with a copy that I had in my safe,

3394 not the original. I do not have the original.

3395 . Q I see. But you maintained a photocopy in your safe

3396 and you provided that to Mr. Silber then?

3397 . A That's correct.

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3398 . Q And this note indicates that?

3399 . A Yes.

3400 . Q All right. I have some general questions now which

3401 I would like to ask, and I think Mr. Saxon has some

3402 additional questions as well.

3403 Concerning Hawk missiles and the November 1985 point

3404 paper--

3405 . A Um-hum.

3406 . Q --did anyone make you aware at that time that there

3407 was, at the time period 18 November through the 25th of

3408 November, an action going on involving the transfer of Hawk

3409 missiles?

3410 . A No. I had no knowledge whatsoever that something

3411 was actually happening.

3412 . Q In connection with the request to determine Hawk

3413 missiles to--

3414 . A Although I sort of had the impression that this

3415 subject was under discussion. That it had presumably come

3416 up in the NSC before, and that it wasn't just an absolutely

3417 brand fresh subject.

3418 . Q But did you have any knowledge--

3419 . A But I had no knowledge.

3420 . Q that in that week there was an attempted transfer?

3421 . A No, absolutely not.

3422 . Q Was there any reference to that--

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3423 . A No, there was none whatsoever.

3424 . Q --at that time or subsequently?

3425 . A Unh^{hun}-uhh.

3426 . Q In the request put to you by General Powell as well

3427 as Mr. Koch, was there any request that your inquiry focus

3428 on any particular type of Hawk or particular specifications

3429 for Hawk?

3430 . A None whatsoever.

3431 . Q Was there any discussion with you as to various

3432 altitudes that Hawks might reach?

3433 . A No.

3434 . Q Was there any discussions with you as to particular

3435 painting that might exist on different missiles which were

3436 to be provided to other countries?

3437 . A No.

3438 . MR. SILBER: You mean insignia, that kind of thing?

3439 . BY MR. SABA:

3440 . Q Or insignia?

3441 . A Or the stenciled markings on the side of a missile,

3442 that kind of--nothing came up like that.

3443 . Q Let me ask you a technical question, if I can.

3444 In the case of stenciled insignia on Hawk missiles, do you

3445 know if those are easily changed?

3446 . A I have no idea.

3447 . [Discussion off the record.]

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3448 . BY MR. SAXON:

3449 . Q Along these same lines, were you ever told why the

3450 Iranians wanted Hawk missiles?

3451 . A No.

3452 . Q Do you recall any discussion--

3453 . A Of course, you know, I knew there was a war going

3454 on certainly.

3455 . Q Sure.

3456 . A And this would be something useful for them to

3457 have.

3458 . Q Were you told that the Iranians might have wanted

3459 missiles to shoot down high-flying Soviet surveillance

3460 planes?

3461 . A No.

3462 . Q Were you told that at any point the Iranians

3463 received Hawk missiles that did not have that capability?

3464 . A No.

3465 . Q Were you ever told at any point the Iranians wanted

3466 Hawk missiles in the number of 50? Do you recall the number

3467 50 Hawks being discussed?

3468 . A No. No.

3469 . Q I guess I should ask for the record whether you

3470 ever had any discussions with Colonel Oliver North about

3471 Hawk missiles?

3472 . A No. No. Nor of anything else, either.

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3473 . Q Saves us the rest of the afternoon.

3474 . BY MR. SABA:

3475 . Q Why was the number of Hawks pared down? How do I

3476 get from 500 to 120?

3477 . A I have no idea.

3478 . Q Could this have had anything to do with the cost of

3479 the Hawks?

3480 . A I wouldn't be surprised.

3481 . Q When you had your discussion with General Powell

3482 and informed him of the cost of a Hawk, did he have a

3483 reaction to that?

3484 . A Hard for me to remember, but I think the cost was

3485 considered remarkable. Five hundred missiles is a pretty

3486 expensive proposition.

3487 . BY MR. SAXON:

3488 . Q Let me ask one more question in sequence with the

3489 ones that I was asking, and that is were you ever asked

3490 about the operational capabilities of the Hawk missile?

3491 . A No. No.

3492 . Q And you never gathered any data or transmitted any

3493 data about the operational capabilities of the Hawks?

3494 . A No, I didn't.

3495 . BY MR. SABA:

3496 . Q Did you have any conversations in November and

3497 December of 1985 with any other United States Government

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3498 employee from any other agent concerning either the Hawks or
 3499 the TOW's? (P)

3500 . A No, I think ~~I've talked to you about~~ I've mentioned X
 3501 all the people that might have been involved.

3502 . Q You had no discussions with anyone at the State
 3503 Department?

3504 . A No, none whatsoever.

3505 . Q The White House staff?

3506 . A No.

3507 . Q The CIA?

3508 . A No.

3509 . Q All right. That's it on my Hawk questions.

3510 BY MR. SAXON:

3511 . Q Let me ask you one question which I think you
 3512 answered but I want to make sure.

3513 When you first got this request from I guess Mr. Koch on
 3514 Hawks--

3515 . ~~(Ug-hum)~~ X

3516 . Q --and there was a session in which you went down and
 3517 you met General Powell. You told us that you had the sense
 3518 that this was a front office operation, coming from the
 3519 Office of the Secretary of Defense.

3520 . A ~~Ug-hum~~ VCS X

3521 . Q Was it your clear understanding that this was a
 3522 tasking that was being done at the request of Secretary

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3523 Weinberger?

3524 . A Powell never said that to me in so many words.

3525 . Q But is that an inference you draw from the
3526 circumstances?3527 . A Sure. Because Powell would not want it just for
3528 his own curiosity obviously. And then as it turned out
3529 ~~that~~ he needed it for Weinberger's participation in
3530 meetings. First he wanted information and then it turned
3531 into a point paper.

3532 . BY MR. KREUZER:

3533 . Q On this Hawk missiles for Iran point paper, it was
3534 emphasized more than one time to you by General Powell that
3535 the Secretary was not in favor of this proposed Hawk missile
3536 transfer to Iran and therefore he wanted all the negative- he
3537 wanted a negative point paper?3538 . A Yes. I certainly got that strong impression. I
3539 can't remember the explicit instructions, but there was no
3540 doubt in my mind.3541 . Q Were the same instructions forthcoming with regard
3542 to the subsequent TOW paper that was prepared? Were the
3543 same general terms more or less expressed; the Secretary
3544 does not support transmission of TOW's either, and he would
3545 like a negative slant on the TOW proposal?3546 . A I didn't have anything to the contrary, so we
3547 proceeded in the same line.**UNCLASSIFIED**MARY FERRELL
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3548 . Q Would it also be fair to say that in looking at the
3549 Hawk proposal, and, perhaps, at the TOW proposal, that it
3550 could constitute a set of ground rules or plans which would
3551 have to be followed in order to transmit--

3552 . A There was a desire to lay out the practicalities,
3553 the steps you'd have to follow.

3554 . Q So in addition to being a negative paper on Hawk
3555 transmissions and TOW transmissions, also these could
3556 constitute very practical papers on how to get Hawk's and
3557 TOW's to Iran?

3558 . A Not very. Because, as you see, it didn't go into
3559 the detail how would you transport them, how would you
3560 arrange payment, how would you record the payment, et
3561 cetera. None of those modalities were contained in it.

3562 . Q How about from the point of view that what is
3563 covered in the paper such as reporting to Congress, meeting
3564 the word, if not the spirit, of the requirements for
3565 breaking the transmissions down into smaller packages, just
3566 those items addressed in the paper, would that be
3567 considered--

3568 . A Sure.

3569 . Q --pretty good advice?

3570 . A A little bit of--well, I don't know whether it was
3571 pretty good advice, but it's a bit of a how-to: if you guys
3572 really wanted to do this, these are some of the things you

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3573 | would have to do vis-a-vis the legal and congressional
3574 | notification requirements.

3575 | BY MR. SABA:

3576 | Q Did you receive feedback on your Hawk point paper?

3577 | A No.

3578 | Q Did anyone come back to you and indicate how it was
3579 | received or whether it accomplished anything?

3580 | A No. ~~(Unsubstantiated)~~ X

3581 | Q The TOW paper, do you recall how many pages it was?

3582 | A It wasn't more than two pages, I don't think.

3583 | Q Do you recall, though, whether in fact it was one,
3584 | two or three?

3585 | A No. I would have said two pages with a possible
3586 | data page on the back, but I'm not sure of that.

3587 | Q Did the TOW paper contain information or opinions
3588 | as to congressional notification requirements?

3589 | A Yes. Yes, Glenn Rudd refined it a little bit from
3590 | what's shown here but did not change it in substance that I
3591 | remember.

3592 | MR. SILBER: When you say the TOW paper, are you
3593 | talking about the paper you prepared for Glenn or the paper
3594 | that Glenn refined? And which is the one that you
3595 | destroyed?

3596 | THE WITNESS: I destroyed--I can't say that, for
3597 | sure that I had the final copy of what Glenn did, but I

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3598 think ~~it~~ was pretty close to what he had done.

3599 . MR. SILBER: I see.

3600 . THE WITNESS: And I think he showed me the final

3601 paper before he sent it up.

3602 . MR. SILBER: So the TOW paper is, really, from your

3603 knowledge, is your input to Glenn, rather than wasn't

3604 necessarily Glenn's. Although you saw it when--

3605 . THE WITNESS: No. I saw what Glenn had done to it.

3606 . BY MR. SAXON:

3607 . Q Do you recall that that TOW paper mentioned the

3608 Arms Export Control Act?

3609 . A Yes. It had all these same points in it. I think

3610 Glenn changed some of the words but not the thrust.

3611 . BY MR. GENZMAN:

3612 . Q Rudd had no input into the Hawk paper?

3613 . A No.

3614 . Q Did anyone else?

3615 . A No one had. That's solely me, solely my product.

3616 . Q Was there any reason why in the case of the TOW

3617 paper someone else had input?

3618 . A Well because, as I say, I turned out a first cut

3619 and then Rudd was back from wherever he was back from and

3620 took it over.

3621 . BY MR. SAXON:

3622 . Q Let me run through a couple of questions on Hawks,

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3623 if I can, Dr. Gaffney.
3624 To go back to the discussion about giving the missiles to
3625 one country--
3626 . ~~It was from~~
3627 . Q --the notes we went through in earlier exhibits
3628 referenced that.
3629 . A Yes.
3630 . Q Is it your recollection that that was in the
3631 context of if we were to give them to one country would that
3632 help us avoid the problem of notifying Congress?
3633 . A I would suspect so, without really remembering what
3634 that notice that I, and I strongly underline the word,
3635 "'gave.'" And I think that was the kind of context in which
3636 it came up.
3637 . Q All right, sir.
3638 . A There's no dollars involved. How could there be
3639 any thresholds? Right, Jerry.
3640 . MR. SILBER: Not true. Not true. The answer to
3641 your question is it doesn't make a damn bit of difference
3642 whether it was given or sold--
3643 . MR. SAXON: No, that's not the answer to my
3644 question because I didn't address it to you.
3645 . MR. SILBER: Yes. Right.
3646 . MR. SAXON: I addressed it to the person who made
3647 the notes and was involved in the discussions.

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3648 . THE WITNESS: Yes. And the answer is to the best
3649 of my knowledge.

3650 . BY MR. SAXON:

3651 . Q When staff members of the two committees met with
3652 you earlier, you told them that General Powell reacted with
3653 some shock when he found out that he couldn't secure the 500
3654 Hawks. Is that correct?

3655 . A Oh, I think so. I think he was.

3656 . Q And what would you say, in your opinion, was the
3657 reason for that shock? Was it because he would have been
3658 unable to get the Hawks?

3659 . A They just weren't available.

3660 . Q But would that have surprised him, that he didn't
3661 have that many available, or would it have upset him--

3662 . A It would have upset him because he would
3663 immediately start thinking that if he couldn't get it for
3664 the important customers you're going to have to start
3665 tearing it out of the Army's hide, and that's--and then when
3666 you look, and then, you know, our war reserve position was
3667 not that great on these things.

3668 . Q So would it be your sense from the numbers you
3669 looked at that if we were to try to provide any sizable
3670 number of Hawks it could have a readiness impact that would
3671 be adverse to U.S. interests?

3672 . A You bet. Yes.

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3673 . Q And you told the staff members in the previous
3674 interview that when you briefed General Gast about the Hawk
3675 matters that he reacted with some surprise to the briefing;
3676 is that correct?

3677 . A I would say that he acted as if he had had no
3678 foreknowledge of this kind of thing ever before.

3679 . Q Which would be the reason for his surprise?

3680 . A Yes.

3681 . Q Was there ever a mention of a presidential finding
3682 during either the Hawk or TOW discussions to which you were
3683 a party?

3684 . A No.

3685 . Q I believe you've indicated that you received a
3686 clear impression that your involvement on Hawks was not the
3687 first time that the issue of Hawk sales to Iran had come up;
3688 is that correct?

3689 . A No. My impression was it was not the first time
3690 that a discussion of something like this as a way to get the
3691 hostages out had come up, ~~that~~ that we were entering an ongoing
3692 discussion of some kind, but whether it had ever attached to
3693 Hawk, I couldn't say.

3694 . Q And on what would you base that impression?

3695 . A It's a pure impression ~~out of~~ just from Powell. I
3696 guess it was just a sensing I had. Because I had the
3697 opposite sense from Noel Koch. That Noel had never heard of

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3698 anything like this before. It was as big a surprise to him
3699 as it was to me. ~~He was~~ it was clearly not something that
3700 he had been privy to before as far as I could see.

3701 . Q In any discussions you had with Noel Koch, did he
3702 ever tell you that he had been involved with negotiating
3703 with the Israelis on the price of TOW missiles to be sold to
3704 Iran?

3705 . A No.

3706 . Q Did you ever have any discussions on the issue of
3707 pricing of TOW missiles other than the simple figure
3708 reflected in your diary of \$11,000?

3709 . A No. No.

3710 . Q Did you ever inquire into any TOW price figures
3711 other than that one? In other words, did you get involved
3712 in well what would a basic TOW cost or what is replacement
3713 cost, at cetera?

3714 . A Well, I never got down to the basic, which I knew
3715 ~~it~~ would cost something like \$3,500 some years before. In
3716 talking with my guys, I talked only about current production
3717 prices, which range from 9,200 to 11,000. ~~and I pocketed~~
3718 ~~behind the~~

3719 . Q Did you ever pass that TOW price, those TOW's in
3720 current production, either for the I-TOW or TOW II which you
3721 just said were between \$9,200 and \$11,000--did you ever pass
3722 that TOW price on to anyone?

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3723 . A Probably passed it to Rudd. He didn't ask me
3724 further about it since he's very much better than I am
3725 finding out what--

3726 . Q To the best of your recollection, did you ever give
3727 that figure, yourself, to General Powell?

3728 . A No.

3729 . Q Did you ever give that figure to Mr. Armitage?

3730 . A I personally did not.

3731 . Q To Mr. Koch?

3732 . A No, not that I remember.

3733 . Q Did you ever get any feedback as to whether Hawks
3734 or TOW's had gone forward either to Israel in this time
3735 period or to Iran?

3736 . A No feedback whatsoever.

3737 . Q Did you ever get any feedback as to whether these
3738 shipments and transfers which were being discussed had been
3739 shot down for any reasons dealing with legality, readiness,
3740 or anything else?

3741 . A Only that when ~~Hawks~~ we went through the Hawk JS
3742 exercise and then revised the exercise in the guise of TOW's
3743 a couple of weeks later, I just said, well, ~~they~~ certainly X
3744 haven't been able to move on this issue.

3745 . Q But that was a conclusion you drew on your own?

3746 . A Yes.

3747 . Q Finally, has anybody sought to talk to you in

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3748 recent months or since these matters became public back in
3749 November which in any way could be construed as an attempt
3750 to get you to color your testimony or slant your testimony
3751 or change your testimony in any way?

3752 . A Yes. I talked to Armitage yesterday.

3753 . Q And what did he say to you?

3754 . A He said: Look. Really, I was out of the country
3755 most of February '86, and it just doesn't seem to me I could
3756 have been involved then. So when you told people that the
3757 TOW issue had come up in February, I just really don't think
3758 it happened. I think it was ~~one~~ early December. 

3759 So I went back into my book and here is this small
3760 reference to TOW, and I believe that.

3761 . Q So we can understand what you said, he was
3762 refreshing your recollection with regard to a time period
3763 that involved him and, in fact, your consulting your notes
3764 reflected that perhaps he was right?

3765 . A Yes, that's right.

3766 . Q Was there anything else that he said or did that
3767 you would construe as any pressure to have your testimony
3768 come out in a particular way?

3769 . A No, not at all.

3770 . MR. SAXON: That's all I've got.

3771 . THE WITNESS: The only thing I would add on that
3772 was when I informed Gast upon his return November 25th.

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3773 1985, I think when we cycled back into the problem a couple
 3774 of weeks later with Armitage on TOW's, he said: Did you
 3775 tell anybody?

3776 And I said: Yes. I told Gast. I cut him in.
 3777 And he chewed me out for cutting in Gast. That's just a
 3778 measure of how tight they were trying to hold the issue.

3779 BY MR. SABA:
 3780 Q Was Gast involved in those TOW's, in that TOW
 3781 paper?

3782 A No.

3783 Q Did you brief him on it?

3784 A Not me, no. ^I figured that would be up to Rudd.

3785 Q Since November 1st, 1986 until the present time,
 3786 other than representatives of our two committees, to whom
 3787 else have you spoken concerning the events in November,
 3788 December, January '85-86?

3789 A Oh, a few of my colleagues. ~~That~~ subsequent^{ly} when
 3790 all of the testimony started coming out, I've been showing
 3791 people copies of this memo.

3792 Q And have you provided any testimony to any other
 3793 investigators?

3794 A No. Who was--let's see.

3795 MR. SILBER: How about Walsh?

3796 THE WITNESS: Yes. The Walsh people came around.

3797 MR. SILBER: Did they know about the document?

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NAME: HIR167000

PAGE 153

3798 . THE WITNESS: No. They had not seen the document.
3799 . BY MR. SABA:
3800 . Q To which document do you refer?
3801 . A My point paper.
3802 . BY MR. SAXON:
3803 . Q When was this when they saw you?
3804 . A About two weeks ago.
3805 . BY MR. SABA:
3806 . Q Did you provide them with a copy?
3807 . A No, I did not. I said go get it from the General
3808 Counsel.
3809 . MR. SILBER: Got to be good for something. Right?
3810 . BY MR. SABA:
3811 . Q Were you interviewed by any representative of the
3812 Justice Department in November or December of 1986?
3813 . A Nobody from the Justice Department has been around.
3814 . Okay. Thursday, in DSAA Conference Room with Walsh
3815 investigators Cliff Sloan and Bob Braver.
3816 . BY MR. SAXON:
3817 . Q What day was that, sir?
3818 . A That was the 5th of June.
3819 . BY MR. SABA:
3820 . Q 1987?
3821 . A Yes.
3822 . MR. SABA: I have nothing further.

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NAME: HIR167000

PAGE 154

3823 . MR. GENZMAN: I have nothing further. Thank you.
3824 . MR. SABA: Thank you very much. We appreciate your
3825 cooperation.
3826 . [Whereupon, at 12:48 p.m., the deposition was
3827 concluded.]

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17 MAR 88 19 NOV 85

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10/16/88

• 220 Hawk missiles due
for delivery Nov. 85 -
March 88.

DEPOSITION
EXHIBIT
#1
p 172
GARNER

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(5268)

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20 NOV 85

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DEPOSITION

EXHIBIT

#1

P. 292

19 NOV 85

3

Tell Galt in back channel
that SDAF report signed

Check with Bill Jackson
tomorrow

Read up on Senegal

Work on plotting strategy
for OATE meeting

HAC-SAC Reconciliation
(Kemp will not intrude
Israeli buydown)

UNCLASSIFIED

[1485]

19 NOV 85 UC-UN-

324/42

8

2

8:30

2:30

UNCLASSIFIED

Interrupted to talk w/ Coffey

9

3

9:30

3:30

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4

10:3

4:30

11

3

11:30

5:30

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by **K. Johnson, National Security Council**

12

6

12:30

6:30

1

730

1:30

7:30

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~~82-708~~

397

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What worldwide stocks (in other countries)

DEFENSE SECURITY ASSISTANCE AGENCY

Memo For _____

• 500

• From where?

General
ult.
destinations

✓ Cost?

✓ How do I legally transfer? What notices?
quant. Break into small pks?
descrip. sensitive technology.

✓ What countries can't I legally transfer to?

Reporting
Ref. (30)

✓ What other countries
would we have to tell congress might be sources?
How quick?

✓ If gave what 3rd try
transfer restrictions?

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DEPOSITION
EXHIBIT
3

Series as "302-1"
in Subj. matter

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5270

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NO DATE

EXHIBIT
#4

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 Under provisions of E.O. 12958
 By P. Rogers, National Security Council

1. 100 to Israel
 shipped two
 weeks ago
 2. 11 to ~~Israel~~ ~~others~~
 others ~~delivered to~~
 FF. ~~others~~ ~~delivered to~~
 FF.

3050

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TAD-00000/10012

COSM-MAJ-000

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UNCLASSIFIED

NO DATE

EXHIBIT
#5

$$\begin{array}{r} 12000 \\ 12000 \\ \hline 43 \end{array}$$
 120 UAC produced
 146K each

Red River
 Arsenal 77 (of which 3 test)
 (Texas-Ark) 57 (of which 4)
 164 (300K)

3049

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1. Find bin
 2. When available?

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NO DATE

1. Find item
2. When available?
3. Notify Congress
4. Prepare LOA



5271

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21 NOV 85 38

(25)

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:1.

—

:2a

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old

et he

1. How soon to produce?

2. How soon from good stocks?

how many days?

3. Legal question: strongest terms.

LOA

Notice.

Above threshold

Why piecemeal doesn't work.

4. IF to Israelis, have to do

notice for 2nd country.

Legal

Policy

5. Procedure

Israel first - then backfill.

6. Who or how pays?

7. Repercussions: Iraq, other selling countries.

8. How shipped?

Where do we

stand on

Powell is

not

agitated.

Told NSC

to ease up.

Long-

standing

development of M&A

co-production consortium

has now been thrown for

a loop by

REPORT TO GAST

• EAF report started

delivered: AFB will follow

• Peace Sun brochure

—

—

—

—

• Robert budget memo

• Monopsony returns

(he will want you to

officially) AF approves

December 20

• HAC 2nd CR markup

• Rosen & Graves on

Robert study

• Senegalese visit

• EAF session in PA

• UK Tornado visit

—

• NATO Camp reply to

IKle - "with Michael.

DEPOSITION

EXHIBIT

7

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NO DATE

How Missiles for Iran

- Missiles are available right now, suitable for foreign sale. There are 100 missiles at Red River Arsenal - 70 intended for UAE and 30 for Korea. Seven of these are intended for tests, but the tests can be foregone.
- The missiles at Red River Arsenal cost \$100,000 apiece. This is not necessarily a firm price, and replacements could cost as much as \$150,000 apiece.
- Thus, the total bill for 100 missiles would be \$50-72.5 million. To this, applicable charges would have to be added (ARL cost, administration charge, packing and transport charges, plus storage).
- The missiles for Korea and UAE would have to be replaced, so DSAA will need the money to replace them.
- The modalities for sale to Iran present formidable difficulties:
 - Iran is not currently certified for sales, including indirectly as a third country, per Sec. 3 of the AECA.
 - Congress must be notified of all sales of \$14 million or more, whether it is a direct sale or indirect to a third country. The notice must be unclassified (except for some details), and the sale cannot take place until 30 days after the notice. The 30 days can be waived for direct sales, but the third country transfer has no such provision, and notice must still be given in any case.
 - Thus, even if the missiles were laundered through Israel, Congress would have to be notified.
- It is conceivable that the sale could be broken into 3 or 4 packages, in order to evade Congressional notice.
 - While there is no explicit injunction against splitting up such a sale (subject to check...), the spirit and the practice of the law is against that, and all Administration have observed this scrupulously.
 - It is conceivable that, upon satisfactory consultation with Chairmen Lugar and Fawell and their minority counterparts, they might agree to splitting the sale into smaller packages.
- The customer countries (UAE and Korea) would have to be told that their deliveries had been rescheduled, but we would not have to tell them why. We would not want to charge them more for later deliveries.

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*Declass. as 5025-1 series
(see Galtion memo)*

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U-B
P292
P

political drawbacks are small, formidable

- If Iraq ever found out, they would be greatly irritated. Their sources of supply are more readily accessible than Iran's, however, so there would be no effect in that respect.
- Saudi Arabia and the other Gulf States would also be irritated and alarmed.
- If Israel were used as the laundering country, they would be greatly encouraged to continue selling to Iran, and to expand their sales.
- If the sale became known, all bars would be removed from sales by such countries as Spain, Portugal, Greece, UK, Italy, and FRG, countries who are only barely restrained from overt, large sales to Iran now.
- In short, the risk is that of prolonging and intensifying the Iran-Iraq war, while seriously compromising US influence over Israel and other countries to restrain sales to Iran.

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25 NOV 85 40

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CPD

2. Hill Appt. Who to go?
 Principals plus notetaker
 (D. Berling) - or others?
 Tyler/Mantel think smaller.
 2. What to Hill? Nothing to
 take - just one-pager in
 the CPD take-along.
 Sample country page?

File to add
 on DSA
 personnel

Geo Hawk
 missile directed
 from Iran 1442
 delin

DEPOSITION
 EXHIBIT
 #9

5274

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[S] JEC 65

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6 Dec 85

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164 T-TOW: TOW-II back?

-77
-87 TOW II replacement
price... wait meantime...

2,200 which is long because

11,000 more being made.

2,300 Almost have to

3,300 come out of Army

34,300,000 inventory... What

schedule? T-Hawk: shipping

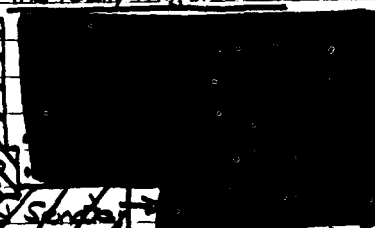
dates? Testing going on...

Challenges for the Coming Year



Accomplishments

The really major ones:



FOUR TO ANALYZE

SPRINT - GUDMAN

↓

Add to 8,567

Chart

Plans

TO ATTACK

BATTLE

CR

Conditional tomorrow

Another CR into

LNUAN (or Feb)

WHAT ABOUT SIZE?

CT not in there.

DEPOSITION
EXHIBIT

#10

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5275

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Koch DX 2
NO DATEOFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
INTERNATIONAL SECURITY AFFAIRS
AFRICA REGION

MEMO FOR

TOW DIS covered again by
w/ Rude: Gaffney in Dec.

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J. K. Johnson, National Security Council

5270

4/ TOW paper looked in 2nd ed.,
wasn't in 1st. Rude has copy.
Original was 2000. definitely true
never in 1st.

So may be long. time for secret.
Don't said with possibility of even
not do the book.

Strongly recommended attack entire
one if we tried to make for 2673
(action to 11/13)

CIA purchase (Thompson 17) ad
x 100. Rude w/ own's info. 4/11/11

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82 708

467

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Epiph
6/

359

NCR. Reeling, ASD/

[1986]

7 JAN 86

January

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2 - Hank Palmer (Comm)
 2:05 - (Comm) (2:05)
 2:08 - Hank Palmer
 2:30
 2:44 - (Comm) (2:44)

3:30 Hank Palmer (Comm)

3:30 Hank Palmer (Comm)

3:30

3:30 Hank Palmer (Comm)

3:30

11:05 NSC M.L.
 11:07 - 11:07
 11:08 - 11:08

3:30

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3:30

3:30

3:30

3:30 Hank Palmer (Comm)

3:30

3:30

3:30 Hank Palmer (Comm)

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3 - Hank Palmer (Comm)
 3:30 - Hank Palmer (Comm)
 3:30 - Hank Palmer (Comm)
 3:30 - Hank Palmer (Comm)

4

4:30

5

5:30 Hank Palmer (Comm)

5:30

6

6:30

7

7:30

DEPOSITION
EXHIBIT

12

527

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DEFENSE SECURITY ASSISTANCE

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12 DEC 86

12 Dec 88

Memo For Record

The attached talking points were prepared by me, as Acting Director, DSAA, on or after 19 November 1985, at the request of Noel Koch and Gen. Colin Powell (then Mil. Asst. to SecDef). They were furnished to Mr. Koch to take to Gen. Powell.

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John Hink
695-5459

42-1

5278



on foreign sale.
intended for
tended for tests.

000 apiece. This is
ts could cost as much.

be \$36-\$37.5 million.
added (NRC cost,
charges, plus

be replaced, so

idable difficulties:

sales, including
ec. 5 of the AECA.

es of \$14 million
or indirect to a
nclassified (except
ot take place until
ys can be waived for
transfer has no such
given in any case.

dered through Israel.

ken into 3 or 4
tice.

n against splitting
, the spirit and the
and all Administrations

-- It is conceivable that, upon satisfactory consultation with Chairmen Lugar and Fawell and their minority counterparts, they might agree to splitting the sale into smaller packages.

- The customer countries (UAE and Korea) would have to be told that their deliveries had been rescheduled, but we would not have to tell them why. We would not want to charge them more for later deliveries.

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Committee Hearings

of the

U.S. HOUSE OF REPRESENTATIVES



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1

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DEPOSITION OF HENRY HAROLD GAFFNEY AND
GLENN ALLAN RUDD

Monday, June 22, 1987

U.S. House of Representatives,
Select Committee to Investigate
Covert Arms Transactions with Iran,
Washington, D. C.

The Committee met, pursuant to other business, at
10:45 a.m., in Room H-139, the Capitol, Roger Kreuzer
presiding.

Present: Roger Kreuzer, Joseph Saba and Robert Genzman,
on behalf of the House Select Committee

Also Present: Jerome H. Silber, General Counsel,
Defense Security Assistance Agency, Department of Defense.

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2

1 Whereupon,

2 HENRY HAROLD GAFFNEY and GLENN ALLAN RUDD, were
3 called as witnesses, and after having been previously duly
4 sworn, were examined and testified further as follows:

5 EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

6 BY MR. KREUZER:

7 Q Mr. Rudd, Dr. Gaffney, I would like to call your
8 attention to Exhibit 1 which is -- Exhibit 2, excuse me,
9 which is entitled Prospects for Immediate Shipment of
10 I-Hawk and I-TOW Missiles and in paragraph 1, under I-Hawk,
11 it states "There are 164 missiles available at Red River
12 Arsenal, 75 intended for the UAE" -- which I take to
13 mean United Arab Emirates -- "and 84 for Korea."

14 To the best of your knowledge, Mr. Rudd, and the
15 best of your knowledge, Dr. Gaffney, do either one of you
16 know what the disposition was of these missiles referenced
17 in this paragraph?

18 A (Witness Gaffney) I have no idea what the
19 disposition has been.

20 A (Witness Rudd) I don't know off the top of my
21 head, either. My presumption is they were shipped to the
22 countries.

23 Q Has anyone ever discussed those missiles with
24 you at any time, the disposition of them?

25 A (Witness Gaffney) Not with me.

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3

1 A (Witness Rudd) No.

2 Q So no one has ever mentioned to you, you've
3 never asked anyone, nor had any discussion with anyone
4 about whether the 75 missiles designated for the United
5 Arab Emirates and/or the 84 missiles for Korea were in
6 fact ever delivered or where they are now?

7 A Well, I can say -- the answer to that is no. I
8 can say that I have heard no complaints from either the UAE
9 or the Koreans that they have not got the missiles that
10 they ordered, however.

11 Q Have you ever seen any record indicating that
12 they have been delivered?

13 A I haven't seen one.

14 A (Witness Gaffney) I have not.

15 MR. SABA: That is it for the record.

16 MR. SAXON: Other than to say both committees
17 appreciate both of you gentlemen coming back for further
18 deposition and helping us through the weekend to piece
19 these documents together.

20 MR. SABA: Thank you very much.

21 (Whereupon, at 10:47 a.m., the deposition
22 concluded.)
23
24
25

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4

DEPOSITION OF HENRY HAROLD GAFFNEY AND

5

GLENN ALLAN RUDD

6

7

Monday, June 22, 1987

8

9

U.S. House of Representatives,
Select Committee to Investigate

10

Covert Arms Transactions with Iran,
Washington, D. C.

11

12

13

The Committee met, pursuant to call, at 8:45 a.m.,

14

in Room H-139, the Capitol, Joseph Saba presiding.

15

16

Present: Joseph Saba, Roger Kreuzer and Robert Genzman,
on behalf of the House Select Committee.

17

John Saxon, on behalf of the Senate Select Committee.

18

19

Also Present: Jerome H. Silber, General Counsel,
Defense Security Assistance Agency, Department of Defense.

20

21

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24

25

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Whereupon,

HENRY HAROLD GAFFNEY, JR. and GLENN ALLAN RUDD, were called as witnesses, and after having been first duly examined sworn, were ~~examination~~ and testified as follows:

EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. SABA:

Q Good morning, Mr. Rudd, can you state your full name and current position for the record?

A (Witness Rudd) Glenn Allan Rudd, Deputy Director, Defense Security Assistance Agency.

Q Dr. Gaffney?

A (Witness Gaffney) I am Henry Harold Gaffney, Director of Plans in the Defense Security Assistance Agency.

Q Both of these gentlemen were deposed last week and this deposition this morning is -- or can be viewed as a continuation of those earlier depositions.

Mr. Rudd, I'd like to show you a document which we will label Exhibit 1. It is entitled "Possibility for Leaks". It is two pages. It is undated and it is unsigned. I will ask you if you recognize the document and if you could tell us something about it?

A (Witness Rudd) Yes. I recognize the document. I either prepared it as an original or I did an extensive rewrite of a document which would have been prepared by Dr. Gaffney in preparation for a meeting with Assistant

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3

1 Secretary Armitage, which I am now sure happened on the
2 6th of December, 1985.

3 (Deposition Exhibit No. 1 was marked for
4 identification.)

5 BY MR. SABA:

6 Q So the paper was prepared for Richard Armitage,
7 Assistant Secretary of Defense for International Security
8 Assistance; is that correct?

9 A Yes.

10 Q And --

11 A (Witness Gaffney) For International Security
12 Affairs.

13 Q Affairs. I am sorry. Do you recall when the
14 meeting was with Mr. Armitage?

15 A (Witness Rudd) It was on the day of December 6,
16 1985.

17 Q And on that day, you provided him with this
18 paper?

19 A Yes.

20 Q Can you please tell us what your intention was
21 in writing the paper?

22 A He had asked for the legal ramifications of the
23 possible sale of Hawk and TOW missiles, either directly
24 to Iran or as a replacement for an Israeli shipment to Iran.

25 Q Did he provide you any additional guidance by

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4

1 way of where he wanted this paper to go, for example?

2 A Not that I could recall. I know now, but
3 I didn't -- I can't recall that he did at the time.

4 Q And can you tell us what guidance you used
5 in preparation of this document?

6 A I just called on my own -- my own knowledge as
7 to what laws, security assistance laws I thought could be
8 involved with making the transfer.

9 Q You were generally familiar with those laws and
10 regulations?

11 A Generally, yes.

12 Q You have occasion to be familiar with them
13 in your daily duties?

14 A Yes.

15 Q Very briefly, what do those duties include?

16 A As the Deputy Director for the Defense Security
17 Assistance Agency, I am -- we are responsible for program
18 direction of the worldwide security assistance and
19 foreign military sales program which is -- has a wide
20 range of statutory limitations.

21 Q Would it be your duties in the normal course
22 of your business from day to day to make yourself familiar
23 with those laws and regulations?

24 A Yes. Although normally, of course, I would
25 call on our lawyers assigned to the DSA^A for legal advice.

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1 Q In preparation for this paper, did you call on
2 the assistance of any other person?

3 A No. Except probably Dr. Gaffney. He may have
4 prepared the original cut. I don't know. But no legal
5 advice.

6 Q Just -- Dr. Gaffney, do you recall if you prepared
7 an earlier draft of this or provided Mr. Rudd material
8 for this paper?

9 A (Witness Gaffney) More than likely I would have
10 provided him a copy of my Hawk Point Paper which I had done
11 in late November for him to build upon.

12 Q Do you recall yourself ever seeing this paper
13 entitled Possibility for Leaks, Exhibit 1?

14 A I remember Mr. Rudd working on a piece of paper
15 like that, [REDACTED] I remember he had
16 expanded on what I provided in the Hawk Point Paper,
17 but I don't remember him putting a title on it, the title
18 Probability for Leaks.

19 Q Do you recall --

20 A I mean, the title Possibility for Leaks.

21 MR. SAXON: You were probably more right the
22 first time.

23 BY MR. SABA:

24 Q Do you recall his providing you with this or
25 perhaps an earlier draft of the paper for review?

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1 A I don't recall. He might have showed it to me.

2 Q When the paper was completed, do you recall if
3 Mr. Rudd gave you a copy of the completed paper?

4 A I believe he did not. I believe I had just bits
5 and pieces of it, probably -- no. I would say I did not
6 have a copy of this finished paper.

7 Q Mr. Rudd, turning to -- again, back to Exhibit 1,
8 the Possibility for Leaks, what is the origin of the title
9 of the paper, Possibility for Leaks?

10 A (Witness Rudd) Well --

11 Q Was this your idea?

12 A It was my specific idea. The origin, of course,
13 was really expressed in the first sentence of the paper,
14 that there would appear no way that I could see that the --
15 any transfer of arms to Iran, either directly or via -- to
16 replace shipments from Israel could be kept secret under
17 the security assistance system.

18 Q I take it therefore that the term "this project"
19 in the first sentence refers to a transfer to Iran and that
20 you understood that when you prepared the paper, the
21 ultimate destination of the weapons was Iran?

22 A That is correct. Or as a replacement to Israel.
23 One or the other.

24 Q Did you understand in preparation for this paper
25 that hostages were connected with this transfer?

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7

1 A It was -- I believe so. I believe that -- no. I
2 am not sure that I knew that then. I am not sure.

3 Q Were you under the impression that this was a
4 closely held matter?

5 A Oh, yes.

6 Q Were you under the impression from -- were you
7 under the impression that this was a matter which was not
8 to become general knowledge and was to be kept as closely
9 held as possible?

10 A Yes.

11 Q And therefore was to avoid any leaks?

12 A Yes.

13 Q And is the reference to leaks, including
14 references to leaks within the government itself? As
15 opposed to, let's say, the press?

16 A Well, I think that the two go hand in hand.

17 Q Moving along in the paper --

18 MR. SAXON: Before you get into the substance of
19 it, Mr. Rudd, do you remember if you were instructed by
20 Mr. Armitage to slant the paper in any way? I don't mean
21 slant in the pejorative sense, but simply to build a case
22 for or against?

23 WITNESS RUDD: No. No. I was not.

24 MR. SAXON: As far as you can recall, it was
25 just what are the legal ramifications?

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1 WITNESS RUDD: That is right.

2 BY MR. SABA:

3 Q Moving on to the second paragraph of the paper,
4 I take it your first suggestion of a method involves that
5 first sentence which commences with "With the present"?

6 A Yes.

7 Q Can you tell us briefly what you intended by this
8 first paragraph? I take it the paragraph under that,
9 beginning "President must notify..." is actually a sub-
10 paragraph of that first one, that is the second paragraph
11 is not a second suggestion?

12 A That is correct. It pertains back to the
13 suggestion on 614.

14 Q Could you explain to us what your first proposed
15 method would entail?

16 A The proposal would be that the President under
17 the provisions of section 614 of the Foreign Assistance
18 Act could waive this statute which requires normal notification
19 under section 36(b) of the Arms Export Control Act.

20 MR. SILBER: Excuse me. You made the proposal.
21 There was no proposals. It is one of the three methods.

22 MR. SABA: All right. yes.

23 BY MR. SABA:

24 Q Continue, please.

25 A This would, in effect, if it were legal and --

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1 as you see later in the paper, I recommended that the OSD
2 General Counsel personally rule on this, but if legal, it
3 would have at least reduced the number of people in government
4 who would have to be notified of the transfer.

5 Q Under 36(b), who would receive notification?

6 A The normal method -- the statutory requirement
7 under 36(b) is that the House Foreign Affairs Committee,
8 the Senate Foreign Relations Committee, Appropriations --

9 MR. SILBER: Not Appropriations.

10 WITNESS RUDD: The Speaker of the House. I'll
11 have to look.

12 BY MR. SABA:

13 Q And the Chairman of the Foreign Relations Committee?

14 A Well, certainly the Chairman of the Foreign
15 Relations Committee, the Chairman of the House Foreign
16 Affairs Committee, but I think there are a couple of other
17 statutes.

18 Q Would this determination and this method proposed
19 be in connection with a transfer directly to Iran? Is
20 that what you were contemplating here?

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1 A It could have worked either as a sale to Israel to
2 replace an Israeli transfer to Iran, or a direct sale to Iran
3 as long as it was kept highly classified.

4 The point that I wanted to add on 36(b) is that
5 there is a wide distribution to both congressional staff and
6 different committees and subcommittees of the Congress which
7 goes well beyond what the statutory requirement of 36(b) is.

8 MR. SILBER: By an informal convention, we distribu
9 copies to appropriations committees, including the members of
10 the House Appropriations Committee, each individual member.

11 BY MR. SABA:

12 Q So the normal 36(b) notification has wide
13 distribution in Congress and among congressional staff?

14 A Yes.

15 Q Would your proposed method of a 614 waiver involve
16 a complete elimination of congressional notification in those
17 circumstances?

18 A That was a method, not a proposal. Yes.

19 No, it would not. There would still -- Section 614
20 requires notification of Congress, just a more select group.

21 Q In other words, the method that is suggested here
22 would be -- would involve a different form of notification
23 than a 36(b) notification, but there would still be
24 congressional notification required?

25 A Correct.

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1 Q And this congressional notification required,
2 however, would be on a more limited -- would be a more limited
3 number of individuals?

4 A Correct.

5 Q The third bullet, commencing, "The OSD general
6 counsel should be asked personally to confirm that 614 is
7 legal under these circumstances, since this authority has never
8 been exercised in any way," could you elaborate on that a bit,
9 please?

10 A Since I had not sought legal advice before I wrote
11 the paper, this was a method which I thought was legal but
12 it was certainly without precedent. I felt that the general
13 counsel himself should be consulted before there were any
14 efforts made to actually follow through on it.

15 Q So you didn't know of any situation in which Section
16 614 of the Foreign Assistance Act had been used to waive the
17 normal notification -- normal congressional notification
18 under 36(b) of the Arms Export Control Act?

19 A I did not, no. There had been no -- this had never
20 been done before.

21 MR. SAXON: To your knowledge, was such an opinion
22 ever rendered by the OSD general counsel?

23 WITNESS RUDD: No, not to my knowledge.

24 MR. GENZMAN: Why did you not seek legal advice in
25 the preparation of this paper?

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1 WITNESS RUDD: Because the possible project was so
2 close hold that I had neither the desire nor the authority to
3 go elsewhere.

4 EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

5 BY MR. SAXON:

6 Q Okay.

7 A Let me elaborate on that.

8 I was not authorized to discuss this project with
9 anybody else.

10 Q Mr. Rudd, before we go further, let me back up to
11 the previous paragraph, that is, the third full paragraph, in
12 which you discussed how Section 614 waiver would operate.

13 For the record, who would the President still have
14 to notify in the Congress if he went the Section 614 route
15 specifically?

16 A The Speaker of the House and the Chairman of the
17 Foreign Relations Committee, as well as to consult with both
18 the Chairman of the Senate Foreign Relations Committee and
19 the Chairman of the House Foreign Affairs Committee.

20 EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

21 BY MR. SABA:

22 Q Would this be done in advance of the transfer?

23 A I would -- yes. The statute requires that it be
24 done in advance.

25 MR. SAXON: As I understand your explanation in

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1 this paragraph, there would still have to be the normal
2 letter of offer and acceptance executed; is that correct, sir?

3 WITNESS RUDD: That is correct.

4 MR. SAXON: Did you express a concern within this
5 paper that in the process of executing the normal letter of
6 offer and acceptance, that that goes through some bureaucratic
7 channels of people who are fairly knowledgeable about these
8 things and somebody might have raised an eyebrow if that route
9 were followed?

10 WITNESS RUDD: Yes.

11 BY MR. SABA:

12 Q Even if there were a waiver under 614 and the
13 normal 36(b) notification was not carried out, is it your
14 understanding that the security assistance community, which
15 includes a large number of Governmental employees, would in
16 the course of processing the transfer become aware of the lack
17 of 36(b) notification?

18 A Yes, and would raise questions.

19 Q That would be unusual; is that correct?

20 A Yes. It would be very unusual.

21 Q Moving along to the paragraph which is the fourth
22 bullet, and it commences, "The President can sign an
23 emergency notification under Section 36(b) waiving the formal
24 30-day notification," I believe the paragraph speaks for
25 itself. Do you wish to elaborate further?

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1 A No.

2 Q Does the reference in the last sentence to this
3 country's purchasing the missiles refer to Israel?

4 A Yes.

5 Q And it does not refer to Iran?

6 A No. It could be true for Iran also, but no.

7 Q No? And I take it that that paragraph contemplates
8 a United States sale pursuant to the standard letter of offer
9 and acceptance to Israel and that you had in your mind that
10 there would be a further transfer by Israel to Iran of the
11 missiles?

12 A That would be the expectation, yes.

13 Q And the next paragraph commencing --

14 MR. GENZMAN: May I interrupt?

15 Why did you refer to Israel by the term "this
16 country" and why was Iran not mentioned?

17 WITNESS RUDD: Well, if you read the entire paper,
18 you will see no mention made of either Iran or Israel, so that
19 if the particular paper leaked, that the thought of the
20 project might not be disclosed.

21 BY MR. SABA:

22 Q Returning to the paper in the fifth bullet, the
23 last paragraph on the first page, I take it again in the third
24 sentence that the inventory of the country involved is a
25 reference to Israel?

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1 A Yes.

2 Q And again I take it that this paragraph
3 contemplates a transfer of I-Hawks and I-TOWs to Israel and
4 a further transfer by Israel to Iran?

5 A That was my assumption.

6 Q Do you have anything further to say about this
7 paragraph?

8 A No.

9 Q I take it this paragraph reflects the standard
10 method in which weapons would be transferred?

11 A That's right.

12 Q Turning the page, there is a final paragraph and
13 it begins, "A further potential problem is associated with
14 legalities of the third country transfer provisions of the
15 Arms Export Control Act."

16 I take it the paragraph speaks for itself, but I
17 would ask you to elaborate as to what you intended by the
18 last sentence.

19 A I'm not sure I can really say just what I intended
20 by the last sentence, although there probably would be a
21 method for overcoming this problem. I didn't -- I don't think
22 -- I am sure I didn't think it through at the time.
23 Certainly if a country is determined to be eligible for sale
24 by the President, then that country is also eligible^a for third
25 country transfer.

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1 Q But did you have anything in particular in mind
2 when you refer to overcome or deferred?

3 A Not that I can recall.

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1 Q Had anything been suggested to you?

2 A No.

3 Q Would you say that this sentence is a suggestion
4 for further considering rather than a conclusion on the
5 basis of statute or plans that you had already looked at?

6 A Most certainly. Certainly.

7 MR. SAXON: Mr. Rudd, Is it safe to say that that
8 paragraph on page 2 is written in contemplation that
9 Israel would transfer the missiles to Iran?

10 WITNESS RUDD: Yes.

11 MR. SAXON: So when we are talking about a country
12 to which we might not sell ourselves and so forth and the
13 retransfer assurances, that is in the context of these
14 probably being transferred ~~or~~ definitely being transferred
15 from Israel to Iran?

16 WITNESS RUDD: That is correct.

17 BY MR. SABO:

18 Q Mr. Rudd, continuing to focus on this paragraph
19 on page 2, it does commence a further potential problem.
20 How did you mean "problem"?

21 A Well, a further potential problem would have been
22 in the context of the whole paper, which is was that, as I
23 tried to demonstrate all -- any of the possible methods
24 had significant risk for disclosure.

25 Q So your understanding was that you were concerned

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1 throughout the paper with maintaining a close hold on the
2 fact that the weapons were to be transferred to Iran?

3 A Yes.

4 Q What did you do with this paper when you completed
5 it?

6 A I provided it to Assistant Secretary Armitage.

7 Q Do you recall when you provided it?

8 A On the 6th of December, 1985.

9 Q Did he indicate in connection -- did he indicate
10 why he wanted the paper?

11 A Not to my recollection.

12 Q Did he indicate that he was to provide it to the
13 Secretary?

14 A I can't recall that he did. I assumed he either
15 was going to provide the paper or give a briefing to the
16 Secretary. I can't recall that he said that, yet he may
17 have.

18 Q Did he mention that the Secretary required a
19 paper in connection with a meeting the Secretary was to
20 attend?

21 A No. Not to the best of my knowledge.

22 Q Do you recall that he told you to do -- that he
23 told you anything else in connection with this paper and the
24 materials he used to prepare it?

25 A Not to retain copies.

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1 Q So he asked you not to retain further copies of
2 this paper?

3 A Correct.

4 Q Did he tell you why he didn't want you to retain
5 copies?

6 A I think it was evident that any copy that was
7 kept increased the possibility that the possible project
8 would become known.

9 Q Did he tell you that or did you just understand
10 that?

11 A I don't recall.

12 Q Did, in fact, you keep any copies of the paper?

13 A No, no.

14 Q So when you returned to your office, you
15 destroyed your work materials and the drafts and whatever
16 else you had pertaining to this paper?

17 A Yes.

18 Q So is it correct that from the time you give this
19 paper to Secretary Armitage you did not see that paper
20 until when?

21 A I saw the paper on -- what is today?

22 Q Today is Monday the 22nd.

23 A What day did I do the deposition?

24 MR. SILBER: Tuesday the 16th.

25 WITNESS RUDD: I saw the paper next on the 17th of

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June 1987.

BY MR. SABA:

Q How did you come to see the paper on that date?

A I asked for a meeting with Secretary Armitage and asked him if he recalled if I provided him a paper which had to do with TOW missiles.

Q And what did he say?

A He extracted a paper from his safe and said are you -- well, let me add a little bit further. I said I didn't recall that I had provided him a paper that specifically talked about TOWs but that it was my recollection that I had provided him a paper which had to do with legalities of the possible transfer.

He reached into his safe and showed me a copy of this paper and said I don't know where I got it. Is it this one? I said yes, that is it, I'm sure.

Q And did he provide you with a copy at that time?

A No.

MR. SAXON: Did he tell you what he ultimately did with that paper?

WITNESS RUDD: No.

MR. SAXON: As of last week, he didn't elaborate?

WITNESS RUDD: He didn't tell me. I am sure it went to the Secretary the day after it was prepared, but --

MR. SAXON: When would he have told you that?

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1 WITNESS RUDD: I don't think he ever told me. I
2 think I just deduced that from talk.

3 MR. SAXON: Let me ask you a question along those
4 lines that asks for a speculative judgment. If you feel
5 uncomfortable making it, that is fine.

6 But I'm asking you to look at the totality of
7 circumstances as you know. Mr. Armitage has told us in his
8 sworn testimony that he did in fact provide a legal paper
9 to the Secretary prior to Secretary Weinberger's December 7
10 meeting and he told us specifically it dealt with the Arms
11 Export Control Act and the legal ramifications of such
12 transfers as were being discussed. Based on what you know
13 from the tasking he gave to you, and that this was a
14 close hold, knowing what was involved, would it be your
15 best judgment if he provided a paper to the Secretary on
16 that day that it would be the one we are looking at now
17 that you authored?

18 WITNESS RUDD: Yes.

19 BY MR. SABA:

20 Q I have no further questions on the Possibility
21 for Leaks paper, Exhibit 1. Does anyone else?

22 Moving along, we have Exhibit 2.

23 (Deposition Exhibit No. 2 was marked for
24 identification.)
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1 BY MR. SABA:

2 Q This is a document entitled Prospects for Immediate
3 Shipment of I-Hawk and I-TOW Missiles.

4 Do you recall having seen this document before
5 today?

6 A I do not recollect that I saw the document
7 before today.

8 Q Dr. Gaffney, do you recall if you have seen this
9 document before today, Exhibit 2, Prospects for Immediate
10 Shipment of I-Hawk and I-TOW Missiles?

11 A (Witness Gaffney) Yes. I believe I saw that in
12 early December of 1985, that I had a copy of at least a
13 draft in my possession around that time.

14 Q And do you recall the circumstances surrounding
15 the creation of the paper?

16 A It was a follow-on to the previous exercise
17 in which I participated having to do with Hawks alone. And
18 similar information was requested to be developed for TOWs
19 as well.

20 Q Do you recall who -- from whom the request came?

21 A Armitage.

22 Q Do you recall approximately when?

23 A Well, it appears to be around the 6th of December
24 1985.

25 Q And how do you date that?

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m7 1 A I had a note in my own work diary which had made
2 brief reference to 3300 TOWs. I think it was on the 6th.

3 Q And --

4 A I don't have my diary here.

5 Q That is all right. I believe the diary entry
6 for the 6th of December was an exhibit in Dr. Gaffney's
7 earlier deposition or Tuesday, June 16 and he has now been
8 furnished with a photocopy of that diary page.

9 A On which the date has been cut off.

10 Q One moment. I have another.

11 A I should have brought it with me.

12 Q I have a photocopy.

13 A It says 6 December 1985.

14 Q All right. Do you recall if the information
15 contained concerning I-Hawk was provided by you?

16 A Yes. Well, the data in there is material that
17 I had gotten previously from the Army. There is some
18 additional material in there which I did not develop myself.

19 Q Do you know who did?

20 A No, I don't. For instance, the reference to
21 procurement lead time to replace [DELETED] missile
22 would be about 33 months. I didn't furnish that. That
23 came from somewhere else.

24 MR. SABA: For the sake of an unclassified
25 transcript, I'm going to ask that we strike the name of the

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1 country which was just mentioned. I presume that's okay
2 with you, Dr. Gaffney?

3 A Yes. Certainly. So it would be procurement lead
4 time to replace somebody's missile.

5 Q Turning to the I-TOW section of this paper, do you
6 recall if you provided the data that's contained there?

7 A No. I don't believe I did.

8 Q Do you recall who else may have participated in
9 the preparation of this paper?

10 A Well, in terms of the specific preparation of
11 it as a paper, it would be just Glenn Rudd and myself.
12 In terms of the information, we got the information from the
13 Army.

14 Q But your recollection is that you and Mr. Rudd
15 prepared this paper?

16 A Yes. I would say I furnished material to
17 Mr. Rudd, who put this particular piece of paper together.

18 Q Do you know of your own knowledge what happened
19 to this piece of paper?

20 A I assumed it went to Mr. Armitage, because it
21 was at his request that it was being prepared.

22 Q Mr. Rudd, I know you indicated you don't recall
23 seeing this paper. Do you recall seeing or taking part in
24 the preparation of a similar paper or exercise at this time?

25 A (Witness Rudd) I don't recall it. I think that

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1 Dr. Gaffney's explanation of it is logical. And I think
2 that it's quite possible, A, that I saw the paper; and B,
3 that I may have done something with it. I just can't
4 recollect it even yet, but I don't think that means that I
5 didn't.

6 Q All right.

7 Dr. Gaffney, your recollection is that you
8 participated in the preparation of this paper, you did so
9 with Mr. Rudd, that you did not provide the final draft?

10 A (Witness Gaffney) That is right.

11 Q And it's your understanding from your own
12 recollection that Mr. Rudd provided the paper to Mr. Armitage?

13 A Yes. We are talking about Prospects for Immediate X
14 Shipment of I-Hawk and I-TOW Missiles, that paper? *JS*

15 Q That is right.

16 A Yes. Well, I did not deliver the paper
17 personally to Mr. Armitage. Since he requested it, I assume
18 it had been delivered to him by Mr. Rudd.

19 Q Your assumption is it went to Mr. Armitage but
20 you did not deliver it?

21 A That is correct.

22 MR. SAXON: Mr. Rudd, you testified a few
23 minutes ago that you did deliver to Mr. Armitage the
24 Possibility for Leaks paper?

25 WITNESS RUDD: Yes.

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1 MR. SAXON: Do you recall without asking you
2 whether you remember this particular document on I-Hawks
3 and I-TOWs, do you recall whether the Possibility of Leaks
4 document was the only one you delivered?

5 WITNESS RUDD: It's possible that I delivered this
6 as well as the Possibility for Leaks document at the same
7 time. It's possible I delivered both papers.

8 BY MR. SABA:

9 Q Do you have any recollection of delivering a paper
10 containing Hawk and TOW data to General Colin Powell?

11 A (Witness Rudd) No.

12 Q Dr. Gaffney, do you have a recollection of
13 delivering --

14 A (Witness Gaffney) No.

15 Q The same paper containing Hawk and TOW information
16 to General Powell?

17 A No.

18 MR. SAXON: Same question, Noel Koch?

19 WITNESS RUDD: No.

20 MR. SABA: Same question to you, Dr. Gaffney.

21 WITNESS GAFFNEY: Same answer. This went to
22 Armitage. I don't know whether it went on to Colin Powell.

23 BY MR. SABA:

24 Q Mr. Rudd, in your meeting with Mr. Armitage last
25 week in which you asked him if you had prepared the paper

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m11 1 on TOWs, did he show you this paper, Exhibit 2, Prospects
2 for Immediate Shipment?

3 A (Witness Rudd) No.

4 Q So the only paper Secretary Armitage showed you
5 at that time was the Exhibit 1, Possibility for Leaks paper?

6 A Yes.

7 Q Did you have any occasion with Secretary Armitage
8 last week to discuss this Exhibit 2, Prospects for
9 Shipment?

10 A No. I thought that my memory had been confirmed
11 that I hadn't seen the TOW paper.

12 MR. SAXON: Mr. Rudd, did Mr. Armitage make any
13 statement as to whether the Prospects -- excuse me, Possibility
14 for Leaks paper had been provided to the DoD General
15 Counsel in the course of the House and Senate request for
16 documents on these matters?

17 WITNESS RUDD: No.

18 MR. SAXON: He didn't comment one way or the
19 other?

20 WITNESS RUDD: No.

21 MR. SAXON: What else can you tell us about your
22 discussion with Mr. Armitage last week?

23 WITNESS RUDD: It lasted for not over two or three
24 minutes. I asked him to refresh my memory as to whether
25 I provided him a TOW paper which was ^{discussed at} [the discussion of] the ^{the} ^X ^{7/15}

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1 last deposition. He showed me that paper. I said fine,
2 I've seen it. I am talking now about the Exhibit 1,
3 Possibility for Leaks paper.

4 MR. SAXON: In the normal course of your business
5 dealings with Mr. Armitage, going back to late '85, early
6 '86, was there an occasion in which you inquired or he
7 offered that any of these papers he had received had gone
8 forward to the Secretary, that the project went forward,
9 or anything along those lines?

10 WITNESS RUDD: Not to my recollection. I don't
11 recall discussing this subject with Rich Armitage after that
12 meeting of the 6th of December.

13 MR. SAXON: And you testified last week that in
14 January, we believe it was in the first week or so of
15 January, you dealt with Noel Koch on a related but slightly
16 different tasking with regard to basic TOWs; is that
17 correct?

18 WITNESS RUDD: Yes.

19 MR. SABA: Before we go on, following the 6th of
20 December, for the remainder of December 1985, did either
21 of you -- my question first to Mr. Rudd, second to Dr.
22 Gaffney, did either of you have anything further to do with
23 provision of information in connection with Hawks or TOWs?

24 WITNESS RUDD: Well, I did. I did in January of
25 1986, yes.

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1 MR. SABA: My question is only to December,
2 Mr. Rudd.

3 WITNESS RUDD: No.

4 WITNESS GAFFNEY: No. I had nothing to do with it
5 after the 6th of December.

6 MR. SAXON: Going to January of '86 with Mr. Koch,
7 did you ask him at any time does this relate to the exercise
8 we went through in December with you and General Powell and
9 Mr. Armitage on Hawks and I-TOWs?

10 WITNESS RUDD: Well, I didn't know Powell was
11 involved at the time. I don't know whether I asked him
12 that or not. I obviously did.

13 MR. SAXON: Did he volunteer this was a follow-on,
14 a different approach, a new avenue of solving the same
15 problem of getting the hostages back?

16 WITNESS RUDD: He certainly said that it was
17 a consideration for getting the hostages back, yes.

18 MR. KREUZER: Who said that?

19 WITNESS RUDD: Noel Koch.

20 MR. SAXON: Let's go off the record for a second.

21 (Discussion off the record.)

22 MR. SAXON: Let's go back on the record.

23 EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

24 BY MR. SAXON:

25 Q Mr. Rudd, we want to shift gears entirely from

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m14 1 the two exhibits we have been looking at and go directly
2 to our conversations with Mr. Koch which we believe to
3 have been in early January 1986 and about which you
4 previously testified. Let me clarify a couple of things
5 if we may.

6 Do you recall specifically telling Mr. Koch
7 after you had gotten some data for him on the pricing
8 of basic TOWs and the like and gotten back with him to
9 provide that data to him, do you recall telling him anything
10 about whether this transaction could go through normal
11 FMS channels and whether Congress would have to be
12 notified and if in fact in your opinion you thought it
13 might have to go some other route?

14 A (Witness Rudd) I told him that I could see no
15 way that we could provide 4000 basic TOW missiles to
16 Israel under normal security assistance channels and
17 expect that it could cover the fact that Israel would --
18 these would be to replace a shipment from Israel to Iran.

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1 Q That reason being there is no way why?

2 A The primary reason was that it -- Israel would
3 only need basic TOW missiles if it would already -- if it had
4 depleted its stocks of basic TOW missiles by a shipment.
5 A sale of TOW-II missiles would have been much more logical,
6 considering Israel's needs.

7 Q So if I can understand your testimony, the
8 knowledgeable people on the Hill who would have had to be
9 notified would assume that if Israel were buying TOW missiles
10 from us, they would be buying TOW-II or I-TOW, and the
11 inference they would draw if Israel was buying basic TOWs,
12 they might be transferring them elsewhere?

13 A Not just on the Hill, but throughout the Executive
14 Branch also, and the press, because this would be an open
15 transaction.

16 Q All right. That takes care of part of it.

17 What did you then suggest as to another means of
18 this transfer taking place?

19 A I suggested that the only possibility of keeping
20 it secret would be to provide the missiles through black
21 channels by which I meant have the CIA buy the missiles from
22 the Army and ship them directly to Israel, because at the time
23 we were talking about a replacement of TOW missiles which
24 might be shipped from Israel to Iran.

25 Q So if I understand your testimony, that would be

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1 a transfer from the Army to the CIA under the Economy Act and
2 then it would become an intelligence activity or a covert
3 activity and the CIA would then ship them to Israel and then
4 if the destination were to be Iran, Israel would transfer the
5 missiles to Iran?

6 A Either as a trans-shipment or replacement. Yes,
7 that's right.

8 Q You are fairly clear that you recall having that
9 discussion and making these points to Mr. Koch?

10 A Yes.

11 Q Do you recall whether you ever made these points to
12 your boss, General Gast, the Director of DSAA, in any
13 briefing you subsequently gave him?

14 A It is quite -- it is probable that I did.

15 Q And do you, to your own independent knowledge, know
16 whether General Gast ever had a subsequent conversation with
17 Mr. Koch himself about these matters?

18 A No.

19 MR. SABA: Or Mr. Armitage?

20 WITNESS RUDD: No.

21 EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

22 BY MR. SABA:

23 Q First, Dr. Gaffney, I believe you earlier
24 testified that -- about the 25th of November, General Gast
25 returned to the office and that you provided him with a

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1 briefing concerning your -- what we call the Hawk Point Paper?

2 A That is correct.

3 Q Did you inform anyone else about this briefing to
4 General Gast?

5 A No, I did not. No. Just General Gast alone. He
6 was the only one.

7 Q Did you inform anyone else that you had provided
8 General Gast with a briefing?

9 A Well, later on in December, when we were talking
10 about this particular exercise, with Mr. Armitage, I told him
11 -- he asked me who else -- had I told anybody, and I said yes,
12 I'd told General Gast.

13 Q What did Mr. Armitage say?

14 A Well, he told me I should not have told General
15 Gast.

16 Q Did he indicate why?

17 A No. But I assume that it was because he wanted
18 to keep the number of people involved in this down to the
19 absolute lowest number.

20 Q Mr. Rudd, I just would like to try to summarize a
21 bit, if I can, the testimony on Exhibit 1, Possibility for
22 Leaks, so that I can create a more clear record of this.

23 Please interrupt me or correct me if I am wrong.
24 I will go through a few quick questions.

25 My understanding of this document is that you were

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1 asked to provide a legal summary of the methods for the
2 possibility of a transfer of certain weapons to Iran, possibly
3 through Israel; is that correct?

4 A (Witness Rudd) Yes.

5 Q Is that the reference in the first sentence to this
6 project contemplates that type of transfer, that is, to Iran
7 possibly through Israel?

8 A Yes.

9 Q That the first method discussed in this paper is
10 that contained in the first bullet, and that would be that the
11 President would make a determination under Section 614 of the
12 Foreign Assistance Act, which would waive the 36(b)
13 congressional notification provision; is that correct?

14 A Yes.

15 Q That even if the President made such a determina-
16 tion under Section 614, the President would still be required
17 to notify the Speaker of the House and the Chairman of the
18 Foreign Relations Committee of such a waiver? Is that
19 correct?

20 A Yes, that is what the paper says. The law is a
21 wee bit different from that. But there is congressional
22 notification involved.

23 Q So even if there was a Section 614 determination,
24 although the normal notification of the 36(b) would not be
25 required, there would still be required congressional

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1 notification in advance of the transfer?

2 A Yes.

3 Q And the next paragraph, which begins, "The OSD
4 general counsel," refers to your desire to have the matter
5 reviewed further by counsel; is that correct?

6 A Yes.

7 Q And it further reflects your own experience in
8 having no precedent for the use of Section 614 in this manner?

9 A Yes.

10 Q Moving along, the second legal method proposed is
11 an emergency notification under Section 36(b) of the Arms
12 Export Control Act, but you note that you could not provide
13 any explanation as to why an emergency would exist for
14 Israel's purchasing the missiles; is that correct?

15 A Yes.

16 Q And the third method expressed in the last option
17 on the page would essentially be the standard procedure which
18 would require a total of a 50-day notification period to
19 Congress?

20 A Yes.

21 Q I understand that the matters discussed on page 2
22 make a reference to the fact that notwithstanding
23 congressional notification issues discussed on page 1, there
24 are, in addition, third country transfer provisions of the
25 Arms Export Control Act which must be satisfied?

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1 A Yes.

2 MR. SABA: I have no further questions.

3 MR. KREUZER: I have one final question, if
4 everybody else is through.

5 MR. SABA: I understand where you are going, Roger.
6 That is fine.

7 At this point I believe the unclassified portion of
8 this transcript is completed. I believe Mr. Kreuzer's
9 questions might be viewed as classified.

10 MR. KREUZER: I was going to avoid mentioning the
11 names.

12 MR. SABA: I would just as soon you do, if we can
13 do it this way.

14 (Whereupon, at 10:45 a.m. the committee adjourned
15 and proceeded to executive session.)

end
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POSSIBILITY FOR LEASES

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There is no good way to keep this project from ultimately being made public. Following are three legal methods together with a brief discussion on the possibility of compromise.

- The President can make a determination, Section 614 of the Foreign Assistance Act, which would waive the statute which requires the normal Congressional notification under Section 36(b) of the Arms Export Control Act (AECA).

- President must notify the Speaker of the House and the Chairman of the Foreign Relations Committee, provide a written justification, and consult with both the Chairman of the Foreign Relations Committee and the Chairman of the Foreign Affairs Committee. This could be done in a classified, close-hold manner and is the best prospect for eliminating leaks from Congressional sources. However, the problem would come with actually executing a Letter of Offer (LOA) for the material without disclosing to the entire Security Assistance Community that the President had waived the need for Section 36(b) notification (Headquarters Army, USASAC, and NISCOM, all are aware of the legal requirement not to process the LOAs without the 36(b) notification process).

- The OSD General Counsel should be asked personally to confirm that Section 614 is legal under these circumstances, since this authority never has been exercised in this way.

- The President could sign an emergency notification under Section 36(b), waiving the formal 30-day notification period. This requires a certification that an emergency exists, and the reasons therefor. While this notification would be classified, the distribution of the Section 36(b) notice is much broader than would be true for the Section 614 determination mentioned above. Additionally, the Security Assistance Community would have to be informed that the President had made the emergency determination and waived Section 36(b) before the LOA could be prepared and issued. There would be no good explanation as to why an emergency would exist for this country's purchasing the missiles.

EXHIBIT

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- The last option, if time permits, would be to treat the sale as a routine unclassified action under Section 36(b). This would require the full 30-day notification period (including the 20-day informal notice) for Congressional review. Both systems are in the inventory of the country involved, and it is possible that the notification would flow through without question. This almost certainly would be true for I-THANKS in the quantity contemplated; the I-TOW quantities might or might not cause speculation.

Declassified/Released on 23 Jan 1987
under provisions of E.O. 12356
By B. Rorer, National Security Council

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- A further potential problem is associated with legalities of the third country transfer provisions of the Arms Export Control Act. One provision indicates that we will not authorize a third country transfer to a country we do not sell to ourselves. Another requires the third country to sign further retransfer assurances. Under the circumstances, though, these provisions probably can be overcome or deferred.

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no date

Classified/Declassify on: 23 Aug 1977
 under Executive Order 12356
 W. S. Ryan, National Security Council

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PROSPECTS FOR IMMEDIATE SHIPMENT OF I-BANK and I-TOW MISSILES

I-BANK

- There are 144 missiles available at Red River Arsenal--73 intended for USN and 64 for Korea. The missiles have not yet been let acceptance tested, but there is a very low risk of failure. The missiles will be at Red River until about April 1966 for testing.
- There would be no impact on the USN if we ship their 73 missiles. The program has slipped in other ways, and can be accommodated within the normal production lead time for replacement missiles.
- Korea would have to be consulted to ascertain the impact on their program, if it is necessary to ship any missiles in addition to the 73 mentioned above. Procurement lead time to replace Korea's missiles would be about 33 months.
- To the best of our knowledge, all of U.S. Army I-BANKs are with units and should not be considered from diversion.
- Unit replacement price of BANK missiles is about \$437.7K; total package price for 50 would approximate \$22.3M; for 100 about \$45M. Package prices include FMS surcharges.

I-TOW

- Army has about [REDACTED] TOWs (including 40,000 I-TOW) on hand, against a distribution requirement of about [REDACTED]. About 13,900 I-TOW missiles are available in COMUS depot stocks.
- Based on the numbers, the impact on Army of shipping 3,300 I-TOWs immediately would be serious but not intolerable. No missiles would have to be taken from troops. Based on the seriousness of the requirement, and keeping in mind that the Army would receive TOW-II replacement missiles, it is likely that the Army would reluctantly acquiesce to immediate shipment of the entire quantity.
- Unit price of the replacement TOW-II missile is about \$12,200; total package price would approximate \$42M, with FMS surcharges.
- Delivery from production of TOW-II pay back missiles to the Army would occur about the beginning of CY 1968. If necessary--though this is not recommended--approximately 2,000 unallocated TOW-II missiles could be delivered from SDAF to Army in second quarter CY 1967.

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COPY NO. 1 OF 2 COPIES

DEPOSITION OF GENERAL JOHN ROGERS GALVIN

Saturday, June 13, 1987

U.S. HOUSE OF REPRESENTATIVES

Select Committee to Investigate Covert

Arms Transactions with Iran,

Washington, D.C.

Partially Declassified/Released on 12 JAN 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

4206

The Committee met, pursuant to call, at 9:00 a.m.,
in Room B-352, Rayburn House Office Building, with
Joe Saba presiding.

On behalf of the House Select Committee: Joe Saba,
Staff Counsel, and Roger Kreuzer, Investigator.

On behalf of the Senate Select Committee: John
Saxon, Associate Counsel.

On behalf of the Witness: Colonel Quentin Richardson,
Office of the Chairman, Joint Chiefs of Staff; and Lt. Colonel
Richard C. Rankin, USCINCSO Executive Assistant, HQ USSOUTHCOM.

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1 Whereupon,

2 GENERAL JOHN GALVIN

3 having been first duly sworn, was called as a witness herein,
4 and was examined and testified as follows:

5 EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

6 BY MR. SABA:

7 Q Good morning, sir.

8 A Good morning.

9 Q General Galvin, let me introduce myself. My
10 name is Joseph Saba, Connset for the House Committee, and
11 my colleague, John Saxon, for the Senate Select Committee.

12 Also present -- and I would appreciate it,
13 gentlemen, if you would each introduce yourselves for the
14 record.

15 COLONEL RICHARDSON: I am Colonel Quentin
16 Richardson.

17 Lt. Colonel Rankin: Lt. Col. Dick Rankin.

18 MR. SABA: Thank you.

19 BY MR. SABA.

20 Q General Galvin, would you please state your full
21 name, your current organizations, station and present duty.

22 A My name is John Rogers Galvin. I am currently
23 the SACEUR designate, that is the Supreme Allied Commander,
24 Europe, designate in between stations, having just left as
25 Commander in Chief of the United States Southern Command, and

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1 on my way to a new assignment in Europe in the NATO
2 organization.

3 Q General Galvin, could you please relate for us
4 briefly the time you commenced your duties as CINC of
5 SOUTHCOM and the period in which that duty officially ended.

6 A I commenced my duties in March of 1985 and my
7 duties ended last week on the 5th of June, 1986 -- I mean,
8 1987.

9 Q Could you please relate to us the nature of your
10 duties, and specifically in terms of how you relate in your
11 command to each of the MILGROUP commanders in each of the
12 countries in Central America.

13 A My duties with relationship to the MILGROUPS in
14 Central America is that I am the immediate commander, that is,
15 the next higher commander of the MILGROUP commanders. The
16 MILGROUP commanders actually work for the ambassador. They
17 take orders from the ambassador in the different countries.

18 So it is, in effect, a shared responsibility of
19 the command by the ambassador and myself. It is an interesting
20 arrangement. I am what is called the Senior Rater. Let me
21 correct that. No, that's right, I am the Senior Rater, which
22 means I write the efficiency report or effectiveness report
23 for the commanders of the military groups. The military group
24 falls within what is called a Country Team, meaning those
25 people who work for the ambassador.

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1 Q Does the ambassador have letter import into the
2 rating of those officers?

3 A The ambassador does, if he wishes to do so.

4 Q I see, but he would not necessarily.

5 A He makes a choice. He can either have no input
6 if he so desires, or he can send a letter or a message.
7 Some ambassadors send messages that say, "I feel the commander
8 has done a good job." Other ambassadors don't have anything
9 to say.

10 Q How, from a day-to-day point of view -- how does
11 the command structure relate? How do the MILGROUP commanders
12 report to you and how do you supervise their activities?

13 A This varies with the 17 countries. The most
14 intense and close relationships are in the countries where
15 most is going on, from my point of view, at least, and that
16 would be, for example, in El Salvador, where, in the period
17 of about two years and three months, I visited there
18 approximately every two weeks, or about 50 times.

19 I also have what's called Task Force El Salvador,
20 which is an ad hoc group meeting about once a month in which
21 the MILGROUP commander comes down to my headquarters in
22 Panama from El Salvador, reports in, talks about what he's
23 been doing, gets advice from me and my staff. I also have
24 staff visits -- in other words -- and I also have communications
25 with him so that there's almost a daily interface in terms of

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1 either myself or some representative of my staff calling up
2 there to the MILGROUP commander or one of his people, and
3 then there are face-to-face meetings about every two weeks.

4 Now that would be for El Salvador. That would
5 range all the way down now to some countries, for example,
6 Paraguay, in which I might see the MILGROUP commander once
7 every three or four months.

8 Q Thank you.

9 General, when you assumed your duties as CINC
10 for SOUTHCOM, what briefings were you given, particularly
11 with reference to the Boland Amendment and assistance to the
12 forces opposing the government in Nicaragua?

13 A I was briefed on the Boland Amendment as to
14 the meaning of it. I was provided, also, I believe I asked
15 for it and was provided paperwork on the amendment. That is,
16 a fact sheet explaining what was prohibited by the
17 Boland Amendment, which, in effect, prohibited just about
18 everything from my point of view, that is, the Department
19 of Defense.

20 Q Who provided you with that?

21 A My legal advisor, who is a staff judge advocate,
22 and that would be, in my case, Colonel Cooker.

23 Q Could you spell that.

24 A C-o-o-k-e-r.

25 Q And Colonel Cooker was an Army --

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1 A He is an Army colonel currently stationed in
2 United States Southern Command as the Staff Judge Advocate.

3 Q And do you recall what you understood the
4 Boland Amendment to require at the time you assumed command?

5 A Let's see -- I certainly recall it now. I can't
6 remember what I recalled exactly at the time I assumed
7 command, but I think it was the same as I do now, which is
8 that the Boland Amendment, when it was in effect, prohibited
9 assistance to the Nicaragua resistance forces by any members
10 of the Department of Defense.

11 Q And did you understand that to be the case during
12 your -- the entire period of your command or did you
13 understand that there was any change in that position
14 during the period you have been in command?

15 A There was a change -- there were several changes
16 in the position as it went along. There were changes which,
17 in effect, if you want to use the word "liberalized" to the
18 Boland Amendment. That is, there was a change -- I'd have to
19 look up the dates where intelligence could be provided to
20 the resistance forces.

21 And then, of course, there was the change when,
22 on the 18th of October of '86, when the 100 million was
23 provided.

24 Q Did you understand that until, at least, 18 October
25 1986, and from the time you assumed command until that date,

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1 that no military assistance and support was permitted to
2 forces opposing the government in Nicaragua?

3 A Yes.

4 Q General, what was -- at the time that you assumed
5 command, what was your overlap with General Gorman?

6 A We didn't have an overlap -- or we had maybe a
7 couple of hours of discussion, but I had been in contact with
8 General Gorman before that.

9 Q And had you been provided by General Gorman
10 briefings as to the activities in each of the Central
11 American countries?

12 A No.

13 Q On assuming command, what guidance, if any, did
14 you provide to each of the MILGROUP commanders in Central
15 America on the Boland Amendment or on assistance to the
16 Nicaraguan resistance forces?

17 A As I went around over time, I did not do that
18 immediately on assuming command, because when I assumed
19 command, I was given to understand by my staff that the
20 MILGROUP commanders understood the Boland Amendment. Then,
21 as I went around and saw them, I assured myself that they did
22 have this understanding. In other words, I asked them, have
23 you had any occasions where people wanted you to do anything
24 that would be in violation of the Boland Amendment? And I
25 might not have specifically mentioned the Boland Amendment as

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1 such, but in those general terms.

2 I assured myself, one by one, with the commanders
3 who had been involved [REDACTED]
4 [REDACTED]

5 I assured myself that they were aware of where
6 they stood.

7 Q Sir, were you provided a briefing on taking command,
8 or sometime shortly thereafter, as to the activities of
9 private Americans or others providing supplies -- resupplying
10 the contras?

11 A No.

12 Q Did you come to be aware that there were such
13 groups providing such support?

14 A Yes.

15 Q Tell us when and how you came to be aware?

16 A Well, I gradually came to be aware of this
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]

20 In that period, through references that people would
21 make and through the contacts that I had in the military and
22 outside and through, you know, coordination with other
23 agencies and so forth, I came to be aware that there was
24 activity that I called benefactor activity that was going
25 on.

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1 Q Can you tell us in your own words what you
2 understood that activity to be, and I'm focusing more on the
3 initial period just after you took command, rather than what
4 your knowledge may have come to be since then?

5 A My understanding of it was that in the United
6 States and outside the United States, there were people
7 who, for their own reasons, patriotism or other reasons,
8 were supporting the contras, and they were doing this by
9 providing money, which was then used to buy supplies and
10 those supplies were being shipped into the contras in one
11 way or another.

12 Q Did you -- did you know specifically who the
13 benefactors or the donors were?

14 A No. I didn't.

15 Q Did you come to know who the providers of this
16 support or resupply effort were?

17 A During the period we're talking about, what I felt
18 I knew about them was that they were hired pilots flying
19 airplanes or hired crews perhaps with boats, but as to what
20 was the organization behind that, I didn't know. I thought
21 that I had some feelings that they were retired military
22 involved in it, among others, because I noticed, either there
23 or here in visits to Washington or somewhere, retired
24 generals -- one of the retired generals -- I can't remember
25 his name --

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1 Q Was it Singlaub?

2 A I noticed that he seemed to be involved in it, but
3 at the time, I figured that he was involved from a personal
4 point of view -- in other words, I knew General Singlaub
5 was a man who felt very strongly about such causes and that
6 he was involved from his own personal -- for his own
7 personal reasons.

8 Q Did General Singlaub have occasion to, during
9 the period of your command, to meet with you or speak with
10 you about his efforts?

11 A No. No, I didn't meet with him at all.

12 Q Were you aware at any time during your command
13 that General Secord was involved in the resupply of --

14 A No, I wasn't.

15 Q Did you ^{have} occasion during that period to speak
16 to General Secord or meet General Secord?

17 A No. No. I've never met him.

18 Q Did anyone mention to you that General Secord
19 was involved?

20 A I don't think so.

21 Q Richard Gadd?

22 A No.

23 Q Mr. Dutton?

24 A No.

25 Q So I take it that, although you were -- and correct

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1 me if I'm wrong -- although you were aware of a private
2 effort involved in operations to resupply the contras, you
3 were unaware of the specific identity of the individuals
4 providing that support?

5 A That's right.

6 Q And those persons, to the best of your knowledge,
7 that I just mentioned, in particular being Secord, Dutton
8 and Gadd did not meet you or speak to you during the period
9 of your command?

10 A No.

11 Q General, I thought I would proceed with the
12 deposition going through, at this point, through a
13 country-by-country set of questions and then proceed to some
14 more general questions.

15 A Okay.

16 Q Realizing that in certain cases, the information
17 overlaps.

18 Turning first to Guatemala, during the period of
19 your command, who was the MILGROUP commander in Guatemala?

20 A Let's see -- there was --

21 Q Colonel David McLaughlin?

22 A McLaughlin, Dave McLaughlin was the MILGROUP
23 commander, that's right.

24 Q And how did you relate, in terms of frequency of
25 contact and supervision to Colonel McLaughlin?

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1 A I didn't visit him very often. Between my visits
2 to him and his visits to me, they probably averaged once
3 a quarter, every three months, every two months. I had other
4 contact sometimes with him by message or by telephone, but
5 I didn't get up to Guatemala very much.

6 Q Was it Colonel McLaughlin or the MILGROUP
7 commander's duty in Guatemala to provide you with regular
8 reports as to everything going on within his -- within his
9 command?

10 A Yes.

11 Q And do you recall, was that done by Colonel
12 McLaughlin?

13 A Yes, it was.

14 Q Do you recall if Colonel McLaughlin mentioned
15 General Adderholtz or an organization called the Air
16 Command Association?

17 A He did not.

18 Q Did you have any occasion to know of General
19 Adderholtz --

20 A No.

21 Q -- or of his activities in Guatemala?

22 A No.

23 Q General, in terms of security assistance to
24 Guatemala, what input would you have had in your command
25 situation in terms of determining what United States policy

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1 and actual security systems would be in respect to
2 Guatemala?

3 A The security systems in respect to Guatemala
4 is determined by the Country Team with the leadership, the
5 lead in that would be the MILGROUP commander, Colonel
6 McLaughlin. He would make up -- the basis of it all would
7 be an annual report in which he, working with the host
8 nation and with the ambassador and the rest of the team,
9 analyze the military aspects of the country and came to
10 conclusions as to what military assistance was needed.

11 After approval of that by the ambassador, that
12 would be forwarded, with an information copy to me, and
13 then forwarded to the Department of Defense and the State
14 Department. Actually, there was more to it than that. I
15 would be involved in advising Colonel McLaughlin and my
16 staff would, on what we thought that he should put in the
17 report.

18 However, the final judgment on it would still be
19 the ambassador. If the ambassador felt it was a correct
20 report, he would approve it, and if not, he could make
21 changes in it. He would have the final say on it within
22 the Country Team.

23 Q For the period of your command, could you tell us,
24 in your own words, what the development of our security
25 assistance program in Guatemala was?

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1 A Yes, it was zero to start with because the U.S.
2 Government felt that the Guatemalan Government, which was
3 a military government, was a -- was not the proper democratic
4 government for the country and, therefore, the U.S.
5 Government withheld military assistance. There wasn't any
6 military assistance. There may have been a small amount
7 of what's called IMET, which is training, that is, money to
8 put people -- military people in military schools for
9 training courses.

10 As I recall it, there wasn't even that. Then,
11 toward -- in the second year of my time, the government --
12 or the first year, the government changed over -- the military
13 turned the government over to the civilians and there was
14 a good democratic election, and Cerezo was elected president.

15 Then after that --

16 Q Excuse me, sir, just for the record, just to give
17 us a time frame, can you recall about when that was?

18 A Cerezo was elected president about the first of
19 1986, January '86, perhaps, but I'm not sure of that date.

20 But anyway, then we began pushing harder, "we"
21 meaning the ambassador, Ambassador Piedra and myself,
22 McLaughlin to press the State Department and Defense
23 Department to support military assistance for Guatemala
24 because there was a guerrilla problem and they needed it.

25 And eventually, we did get some military assistance

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1 amounting to about \$5 million.

2 Q Do you recall when the first military assistance.
3 grant occurred?

4 A No, I'd have to try to find that. I don't
5 recall that.

6 Q Do you recall if there was a sum of approximately
7 \$300,000 for military training in 1985?

8 A That sounds like it would be right, but I don't
9 specifically recall the sum.

10 Q During that period, were you aware of any link
11 between our military assistance to Guatemala and position of
12 the Guatemalan Government, whether of the 1985 regime or
13 1986 regime, in connection with its attitude toward the
14 contras?

15 A No, I wasn't aware that there was any connection
16 in there.

17 Q All right.

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[REDACTED]

BY MR. SABA:

[REDACTED]

Q

Sir, do you recall who, during the period you had command, was the MILGROUP commander in Honduras?

A Colonel Ray Garcia was the MILGROUP commander during most of that time.

Q Do you also recall relating to Colonel Jerry Clark?

A Yes, Jerry Clark was Garcia's predecessor.

Q In -- General, if you will bear with me and ask you the same question I asked in the case of Guatemala, and that is, how did you relate to first Colonel Clark and then his successor, Colonel Garcia?

A Well, I related to them much more closely than with McLaughlin because of the nature of the country and the mission that we had. In other words, I saw them more often. I saw Clark about every two weeks.

Q Could you explain that, in your own words?

A Explain why I saw them?

Q Why? What that relationship was.

A In Honduras -- first of all, to compare that with Guatemala, in Guatemala, as I said earlier, we had very little

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1 military program because the Guatemalan Government was
2 not a government that the U.S. Government was pleased with.
3 On the other hand, in Honduras, we had a strong military
4 program, which included the MILGROUP, but also Task Force
5 Bravo, which was 1,000 man force at Palmerola, and a series
6 of exercises that we were holding.

7 So, therefore, I was in Guatemala -- I was in,
8 correction, Honduras more often and I saw Clark and Garcia
9 on the average of once every couple of weeks.

10 Q This would involve primarily their coming to see
11 you or you going to Honduras?

12 A Primarily my going to see them in Honduras, and
13 on occasion, say once every quarter of the year, their coming
14 to Panama to see me.

15 Q During the period of your command, did you have
16 discussions with, first, Colonel Garcia, and then Colonel
17 Clark concerning the large number of Nicaraguans [REDACTED]
18 [REDACTED] opposed to the Nicaraguan Government?

19 A Yes, I did. And the other way around, first
20 Clark and then Garcia, yes.

21 Q What was the nature of these discussions, and do
22 you recall what was said and concerns expressed?

23 A First of all, these discussions would be one facet
24 of a very complex series of discussions on a wide variety of
25 subjects in Honduras, but almost always, something would come

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1 up about what the contras were doing. And Clark and then
2 later Garcia would report to me whatever he knew about what
3 was going on.

4 I needed to know -- I tried to know about all
5 military activities in the region. I wanted to know about
6 what the Sandinistas were doing and what the contras were
7 doing, and I had intelligence means at my disposal to find
8 out some of that.

9 Part of that was to discuss it with the MILGROUP
10 commanders, but also with anybody else that I could find in
11 the Country Team who knew something about it [REDACTED]

12 [REDACTED] So I did discuss each time --
13 I asked them what they knew, what they had heard, and they
14 reported to me different pieces of intelligence information
15 about the contras and the Sandinistas.

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PAGES 29 thru 32

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if you had

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conveyed that information onto your superiors or to -- first,
to your superiors at the Department of Defense?

16

17

A I don't recall that I passed that on specifically
to the Department of Defense, no.

18

19

Q Do you recall if you passed that on to anyone
working at that time for the NSC?

20

21

A I don't specifically recall that, no. No.

22

23

Q Did you, in terms of specific individuals, do you
recall relating that information to Colonel North?

24

A No, I don't recall that.

25

Q To either, first, Mr. [redacted] or [redacted]?

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1 A I don't recall relating that to anybody, really.
2 You know, there were -- I saw all those people when I would
3 come to Washington, lots of people. My job was to coordinate
4 all of these people.

5 I assumed during that time that people like that
6 knew these things; they knew that there were benefactor
7 airplanes [REDACTED] and that these
8 were in support of the contras.

9 But it wasn't something that I would, therefore,
10 feel it necessary to report to somebody.

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PAGES 35 thru 37

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14 Q Do you recall that there were discussions, first
15 with General Lopez and then subsequently with his successor,
16 Regalado, concerning the provision by the United States of
17 Northrup F5s? I believe F5-Es, but certainly F5s.

18 A Those discussions, I don't believe took place with
19 Lopez. It was later that those discussions came up about
20 the F5s.

21 Q Do you recall when they came up?

22 A I don't recall exactly when. I believe, though,
23 that it was during the term of Regalado, and not of Lopez,
24 and the reason I don't is that there was a gradual approach
25 to the question of F5s. It began with an analysis, with a

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1 request for parts for the Super Mysteres. There were
2 complaints by the Hondurans who owned the Super Mysteres
3 that they couldn't get parts and they needed to get them and
4 so some Super Mysteres were moved up to the United States
5 under a military assistance program and were refurbished,
6 including things like they needed new canopies; you couldn't
7 see out of the old canopies, and they needed new electronics.

8 Then it became increasingly obvious that you
9 couldn't continue to refurbish Mysteres because parts were
10 becoming less and less available and more costly and more
11 difficult to find. Then there came a study of how long
12 could the Super Mysteres last, and I think the U.S. Air
13 Force conclusion was something like 1992; that would be the
14 end of them.


15 Then we began to have sessions with the Hondurans
16 on what did they want to do to replace the Super Mysteres;
17 did they want to replace them and then gradually that worked
18 its way into the F5 question.

19 Q Do you recall ^{when} approximately the F5 question
20 became an issue and a request by the Hondurans?

21 A I would say toward the end of 1986.

22 Q End of 1986?

23 A Yes.

24 Q General, do you recall any discussion concerning
25 the F5s 

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PUBLIC PAPERS OF THE PRESIDENT

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1 [REDACTED] at a meeting held by the
2 JCS on 13 December 1985, in which --

3 A 1985?

4 Q 13 December 1985.

5 A No, I don't recall a meeting in the JCS about --
6 wait a minute. let me see. No, I'd have to refresh myself.
7 I don't recall that meeting.

8 Q General, I'd like to show you a document which
9 you may or may not have seen before, so I would invite you
10 to read it in the event you haven't. It will be marked
11 General Galvin Exhibit 2 and it is a photocopy of a CIA
12 document, and it is marked "Secret."

13 (The following document was marked as
14 JG Exhibit 2 for identification.)

15 COMMITTEE INSERT

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1 (Pause.)

2 THE WITNESS: I've never seen this message before

3 BY MR. SABA:

4 Q Would you, sir, care to comment on the message
5 for the record.

6 A The message concerns what the CIA perceives as
7 activity by me in wanting to [REDACTED]
8 [REDACTED] My comment on it would be that throughout
9 the period of the Boland Amendment, and this would be -- and
10 this message is dated 15 August '86. Throughout the period
11 of the Boland Amendment, there were discussions between my
12 headquarters and the JCS concerning questions of the --
13 whether or not if the Congress deemed it appropriate -- let me
14 put it this way. I was asked several times what were my views
15 on how the U.S. Government should deal with the contras.

16 And my views were, at that time, that the contras
17 are a military operation and the U.S. Government ought to deal
18 with them militarily, and I sent messages to that effect to
19 the JCS, saying, if I had my druthers, I as the commander and
20 the individual responsible for military operations of the
21 United States in this region, would want to have direct
22 involvement with the contras, but there was always paragraph
23 2 or something in there in which I would say, "But I understand
24 that that may not come about. If it does come about, I would
25 do it in the following way. If it doesn't come about, I'll


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1 support in whatever ways are being appropriate," meaning
2 legal.

3 Q Could you explain to us the reference here to
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7 A Well, I'm not exactly sure of what they're talking
8 about here, but I am sure of what I have recommended at
9 various times. What I recommended early on in my tour was
10 that if the Congress allows it, 
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18 I talked this over -- the CIA, too. Of course, the CIA
19 did not support that. The CIA felt that they should continue
20 to operate there.

21 I felt that if it were permissible, if that were
22 legal to do, and we were looking ahead at that time to a
23 vote -- remember, in the summer of '86, we had been thinking
24 all the way around since the spring that there was going to
25 be an imminent vote and there were possibilities that all of a

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1 sudden, the Defense Department would get told to go ahead
2 and do this. Now, whether those were remote possibilities
3 or not, nevertheless, I wanted to be prepared if they did
4 say that.

5 So I did some planning along those lines while the
6 fact is that it never came about; there was no permission
7 given for that and so we never did any of this. I never
8 [REDACTED] as this thing would imply.

9 In fact, the CIA position was they didn't want
10 to do it that way. But that's what I think they are
11 referring to here, although this is the first time I've
12 seen this message.

13 They -- I think that the agency is saying, we would
14 prefer that the military not do that.

15 Q Then it was your understanding that -- certainly
16 at some time prior to that, it had, at least, been your
17 recommendation [REDACTED]
18 [REDACTED]

19 A Well, it was my recommendation with caveats. In
20 other words, all of us working that message traffic understood
21 that there was no way the U.S. at that time could provide
22 any military assistance to the contras and we weren't providing
23 any and -- that I knew of, anyway, and we would have to wait
24 until a vote was forthcoming from the Congress. And there
25 were people in the Congress who were saying, "We'd like to see

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1 this thing [REDACTED]

2 [REDACTED] And I felt that there was some chance,
3 whatever, 15, 20 percent chance, that somebody would come up
4 and say, "This is going to [REDACTED] in which
5 case, I wanted to be at least somewhat prepared for that.

6 MR. SAXON: Sir, to whom did you make that
7 recommendation?

8 THE WITNESS: To the JCS. The JCS asked me my
9 views. They said, "State your views on how this whole thing
10 should be run if you had your druthers," and so I said, "If
11 I had my druthers, I would run it." That's the basic thing
12 that I told them.

13 And I also told the agency that, and the agency
14 said, "Fine, but if we had our druthers, we would run it."

15 BY MR. SABA:

16 Q But it is correct to state that it had been your
17 recommendation [REDACTED]

18 A That is correct.

19 Q You understand this to be a response to that
20 recommendation by another agency which had its own views?

21 A Yes.

22 Q Directing your attention, then, to the December 1985
23 period --

24 MR. SAXON: Before we leave this document, can I
25 ask one question?

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1 MR. SABA. Please.

2 EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

3 BY MR. SAXON:

4 Q General, I would simply ask if you agree with the
5 assessment of the agency in numbered paragraph 2 where they
6 state, and I quote:

7 [REDACTED]
8 [REDACTED]
9 A Yes. [REDACTED] -- that's

10 probably -- that probably is correct.

11 [REDACTED]
12 [REDACTED] That's right.

13 Again, I would say in that that I hadn't worked
14 my way through all of these things. I was -- obviously, there
15 were legal problems; there were political problems; there
16 were many other problems, but I wanted to come on the net
17 with the statement from a military point of view as to how
18 this kind of effort should be run and then let people decide
19 whether or not they really want it to go in that direction
20 or in some other direction, but as the military man in charge
21 of the region, I did not ^{want} people to think that that wasn't
22 important to me, that how the U.S. Government supported the
23 contras would not be important to the Commander in Chief in
24 Southern Command, and that he would simply stand back and say
25 I prefer that the CIA run this or I prefer that the State

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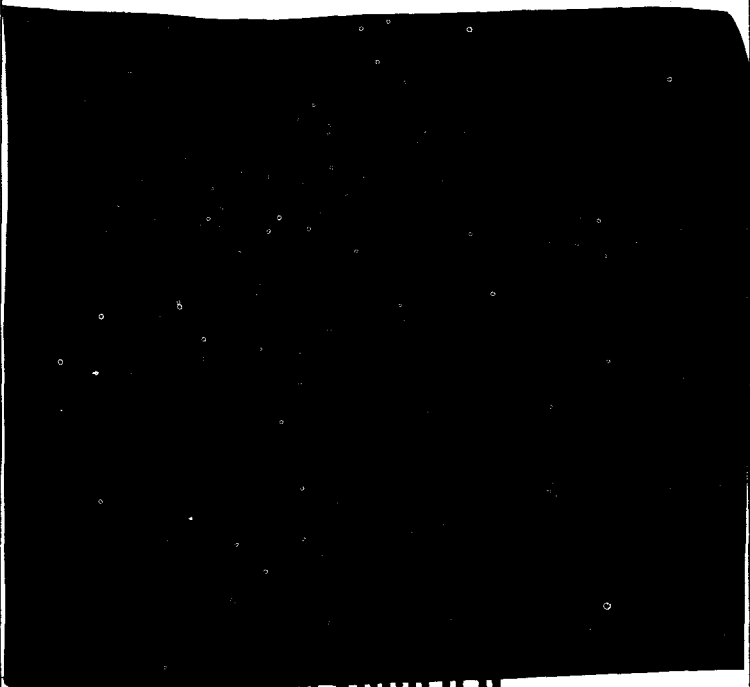
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1 Department run this.

2 I felt that it was incumbent on me to state as
3 a commander how I felt. And I made no effort to conceal that
4 at all. Obviously, it was classified, but -- what I mean
5 by that is that I said that to the JCS; I said that to the
6 CIA, and I may have said that to others, saying that in my --
7 that was my view of how you run a military operation.

8 MR. SABA. I would like to stay with the document
9 so we might as well stay on this.

10 BY MR. SABA:

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22 Q And did you not, in fact, report that and support
23 that view in late 1985 to JCS?

24 A I can't remember when, but my view, as I said, was
25 if it were legal and approved by the Congress, the best way to

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1 support the contras would be with the U.S. military support;
2 that's right.

3 Q So it would be correct to say that you did take
4 the policy decision advocating decisive military assistance?

5 A Yes, that's correct.

6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]

17 Q Just for the sake of the record, what would be the
18 purpose, from a military security point of view, for Honduras
19 possessing F5s, and I recall, and correct me if I'm wrong, but
20 the number we're talking about was about 12.

21 A That's right.

22 The purpose of it would be to defend Honduras.
23 The Hondurans had [REDACTED] in their Army. It's a
24 very small Army [REDACTED] They had always, in the past
25 two decades, relied on air as their defense because they had

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1 this small Army and also because, if you look on the Nicaragua
2 border, or even on the border with the other countries around
3 them, there are no roads out there. There is little population
4 in that area, and it is very difficult to get up in there.

5 The Hondurans had initially tried to buy 155
6 artillery, in fact, they bought four artillery pieces in 1984,
7 but [REDACTED]
8 [REDACTED] they still continue
9 to rely on close air support and fighter bomber aircraft in
10 small numbers to defend the country.

11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 Now, we were trying -- we had been trying to
15 develop the ground forces and mobile forces, to some degree,
16 in Honduras, but that's a slow development. Because of their
17 lack of development and because it definitely was possible
18 that the Sandinistas would attack Honduras, I preferred to let
19 the Hondurans counterattack with their air because that kept us
20 out of the first parts of any kind of fight that the Hondurans
21 would get into with Nicaragua.

22 That was basically my rationale. [REDACTED]
23 [REDACTED]
24 [REDACTED]

25 I might have, as I looked for all the different ramifications

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1 of the F5s, I might have at some time said, "Giving F5s to
2 Honduras also shows U.S. sustains support," and I do believe
3 that it does. [REDACTED]

4 [REDACTED]
5 [REDACTED]
6 [REDACTED]

7 Q Just for the record, sir, looking at that same
8 issue in the mirror image, do you know of [REDACTED]

9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]

13 A No. No, I don't.

14 First of all, I don't see how we could do that.
15 You can't say that you're going to give F5s to Honduras because
16 it's a congressional decision anyway. It has to go through
17 Congress.

18 One of the things that I constantly told Regalado
19 is that I support you on F5s, but I don't know if you're going
20 to get them. This thing is going to have to go through the
21 U.S. Congress. You need a fallback position and I, by the way,
22 had one, which would be that we would work on helicopter support
23 for them because if they didn't have F5s and they still had
24 the border problems, we could perhaps with Huey helicopters
25 substitute those and get people out to the border. We would

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1 look at gunships, that is, fixed-wing gunships as the AC47 to
2 do that because I wasn't really sure until two weeks ago that
3 we actually were going to get the F5s.

4 Q I suppose General Regalado wasn't fully sensitive
5 to the problems in obtaining congressional approval for anything
6 the Executive wants.

7 A Probably not



14 MR. SABA: I don't have any further questions on
15 Honduras. You gentlemen might have some.

16 MR. SAXON. I have a couple.

17 EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

18 BY MR. SAXON:

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1 Q Did you communicate that at any point to
2 Colonel North?

3 A No.

4 Q I'd like to show you what should be marked as
5 Deposition Exhibit 3, a letter -- a memorandum for President
6 Reagan from Admiral John Poindexter. This document, on its
7 face, does not bear a date, but from the context, it would
8 appear to be late 1985.

9 Let me give you a moment to read that, sir.

10 (The following document was marked as

11 JG Exhibit 3 for identification.)

12 COMMITTEE INSERT

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1 (Pause.)

2 THE WITNESS: Okay. By the way, this last part
3 brings up this question it looks like we were talking about,
4 depending on when the date was. It ties the ESF to pending
5 internal economic reforms. That was my understanding, also,
6 if the dates are right, that we're talking about, you know,
7 was the ESF used as leverage. It was my understanding that
8 it wasn't; it was used for internal -- pending internal
9 economic reforms.

10 BY MR. SAXON:

11 Q General, what I'd like to, there are a couple
12 of paragraphs I'd like to read to you, sir. The context of
13 this document has to do with apparently Salvadoran and
14 Honduran commitment to aiding the Nicaraguan resistance
15 forces. Beginning in the background, it states, and I quote:
16 "After the negative vote on military assistance in April 1985,
17 the Honduran Government reacted [REDACTED]

18 [REDACTED]
19 [REDACTED] In El Salvador, President Duarte was
20 severely criticized by his political left for supporting the
21 U.S. proposal."

22 It continues: "Today's House vote against additional
23 assistance to the Nicaraguan democratic resistance is liable to
24 have the same effect unless steps are taken to reassure both
25 presidents. [REDACTED]

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1 [REDACTED]
2 [REDACTED]
3 Further down, it states:
4 [REDACTED]
5 [REDACTED]

6 A trip by a
7 high-level delegation will help to reassure them and their
8 military of our determination to succeed in aiding the
9 resistance and in ensuring their security."

10 Under "Discussion," it states, "As a result of the
11 National Security Planning Group meeting this afternoon, it
12 was decided to dispatch Assistant Secretary Elliott Abrams,
13 General Jack Galvin (USSOUTHCOM), and a team of specialists
14 to the region. The visit by the team and the letters at Tabs
15 A and B will assure the Governments of El Salvador and
16 Honduras that regardless of today's vote, you, personally,
17 and the Administration are determined that the Nicaraguan
18 resistance will receive the support they deserve. In Honduras,
19 we are prepared to provide expedited and, if necessary,
20 enhanced security assistance to deal with their border problem."

21 Let me ask you first, sir, did such a trip take
22 place by you and Secretary Abrams?

23 A There was a trip, but I'm not sure it appears to
24 be associated with this letter. I'm not sure. There was a
25 trip that took place -- is that the March '86 -- are you talking

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1 about March '86?

2 Well, it's a trip that took place in March '86,
3 right around Easter time, in which Elliott Abrams called
4 me and asked me to meet him in Honduras, and I did. We had
5 a meeting at the airfield on a Friday with General Regalado,
6 President Azcona and several other people. Also, Elliott
7 Abrams had brought along people from the Military Assistance,
8 which is called DSAA, General Gast's office -- not General
9 Gast, but Colonel Royer and others. We met and the purpose
10 of that visit was to encourage the Hondurans that, indeed,
11 although the Congress may have voted in a certain way on a
12 certain bill, that didn't mean that the United States did
13 not support its allies. We would continue sustained support
14 for Honduras.

15 Q So in the memorandum where Admiral Poindexter
16 writes, "In Honduras, we are prepared to provide expedited
17 and, if necessary, enhanced security assistance to deal with
18 their border problem,"

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21

Is that a fair reading, sir?

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A I probably would have said it a little bit
differently, but that's a clear reading. I would have said
it was to encourage the Hondurans of our sustained support.
But yes, that's a fair reading, too.

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1 LIEUTENANT COLONEL RANKIN: Sir, can I refresh
2 your memory? I think this is the period when the Hondurans
3 were -- the Nicaraguans were crossing the border at Easter
4 time, and so the reference to the border is encouraging
5 the Nicaraguans --

6 THE WITNESS: Yeah.

7 LIEUTENANT COLONEL RANKIN: -- and not [REDACTED]
8 [REDACTED]

9 THE WITNESS: Honduras, throughout the period that
10 we're talking about, constantly felt that -- the Hondurans
11 that I dealt with constantly felt that they did not receive
12 the kind of support they should from the United States
13 that they were allies, they had a letter from President
14 Reagan which he had given to President Suazo at a meeting
15 in a portico^o of the White House saying "We are their
16 allies and we will sustain support for you." They referred
17 to this letter often and the general thrust was, we are
18 out here on the front line. [REDACTED]
19 [REDACTED] We are threatened by the
20 Sandinistas [REDACTED]
21 [REDACTED] and we don't get enough support from
22 the United States.

23 At the time, if I'm correct, assuming now that
24 this was the time of that meeting, because this thing
25 doesn't have a date, but it looks like you're correct, this

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1 was the meeting mentioned in this piece of paper. At that
2 time, the Sandinistas had about six battallions up on the
3 border near Yamales, and they were threatening Honduras,
4 and, in fact, two days later, they did attack into Honduras,
5 as you recall.

6 They were threatening Honduras and a vote in
7 the Congress -- I forget precisely what vote that was, but
8 there had been a negative vote with reference to Honduras
9 in the Congress, in the U.S. Congress. Elliott Abrams
10 said something to me like, "We need to encourage the Hondurans.
11 They are in bad shape over this vote and the threat on the
12 border and I'd like you to meet me in Honduras. I want to
13 offer them some encouragement."

14 At that meeting -- that's the way he talked --
15 he said -- it was Elliott Abrams who talked and we were
16 all there to support the U.S. Government's position and
17 Elliott Abrams said words to the effect that "We understand
18 that you are doing a great deal [REDACTED]
19 [REDACTED] in defense of your own country and we realize that you're
20 threatened by the Sandinistas. We have supported you and
21 you should have no worry about the fact that we recognize
22 you as an ally and we will come to your assistance. We are
23 prepared at this time to offer you additional support and
24 we've brought some people along," and he pointed out
25 Colonel Royer, and said, "We've brought some people along

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1 who will go over with you in detail some possibilities of
2 support that we could offer you at this time."

3 That was the idea of the meeting.

4 Q And when, sir, would you date that meeting?

5 A That was at Easter of '86, and specifically, it
6 was what --

7 LIEUTENANT COLONEL RANKIN: March 21st.

8 THE WITNESS: March 21st.

9 BY MR. SAXON:

10 Q Let me show you, and ask that this be marked
11 as deposition exhibit 4, a cable from the NSC to the
12 American Embassy in Tegucigalpa, San Salvador, and San
13 Jose, and give you a moment to look at that. It is dated
14 March '86.

15 A Okay.

16 (The following document was marked as

17 JG Exhibit 4 for identification.)

18 COMMITTEE INSERT
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1 (Pause.)

2 THE WITNESS: This was the trip.

3 BY MR. SAXON:

4 Q All right, sir. It indicates "The following is
5 the revised itinerary for the Abrams/North trip." It lists
6 the itinerary, and in numbered paragraph 3, it says
7 "The traveling party consists of Abrams, North, [REDACTED]
8 and Walker. Gen. Galvin will join the party in Tegucigalpa
9 for the remainder of the trip."

10 A Uh-huh.

11 Q Does that appear to be the trip that you are
12 referring to?

13 A Yes.

14 Q I only have one further question on this and it
15 goes back to the issue of the F5s. Were you present, sir,
16 in late 1986, and I believe the trip was in October, in
17 which Colonel North -- excuse me, I don't know if Colonel
18 North -- recall if he was on this trip, but Elliott Abrams,
19 [REDACTED] Ray Burghardt, from the NSC, came down and made
20 a swing through Central America, and particularly to Costa
21 Rica and Honduras [REDACTED]
22 [REDACTED]

23 A I have taken several trips with that group. In
24 fact, Abrams has always made it a point to include the
25 Defense Department and to work for close coordination, so

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1 anytime Abrams made a trip to the area, he called me and
2 said, "I'm going to be making this trip. I sure would like
3 you to come along. Can you do that?" Anytime we had a
4 meeting of ambassadors, he invited me.

5 I made a trip like that. I can't recall the
6 exact date. I made a trip with those people. I remember
7 going to Costa Rica and I think what happened is that I
8 didn't go to all the countries because of some other
9 conflicting schedule, or I did go to Costa Rica and we
10 talked to Arias. It seems to me that it was shortly after
11 President Arias was elected or was inaugurated.

12 Q Do you recall if you went on the Honduran leg
13 of the trip?

14 A I'm not sure. I'm not sure.

15 Q The reason I asked, when the Washington
16 contingent of that returned, [REDACTED] wrote a memorandum
17 to Director Casey. This would have been in early December
18 of 1986, in which he outlined the trip, indicated that it
19 had been relatively successful, but that as these things go,
20 the Costa Ricans and the Hondurans wanted something in
21 return for their support of U.S. policy in the region,

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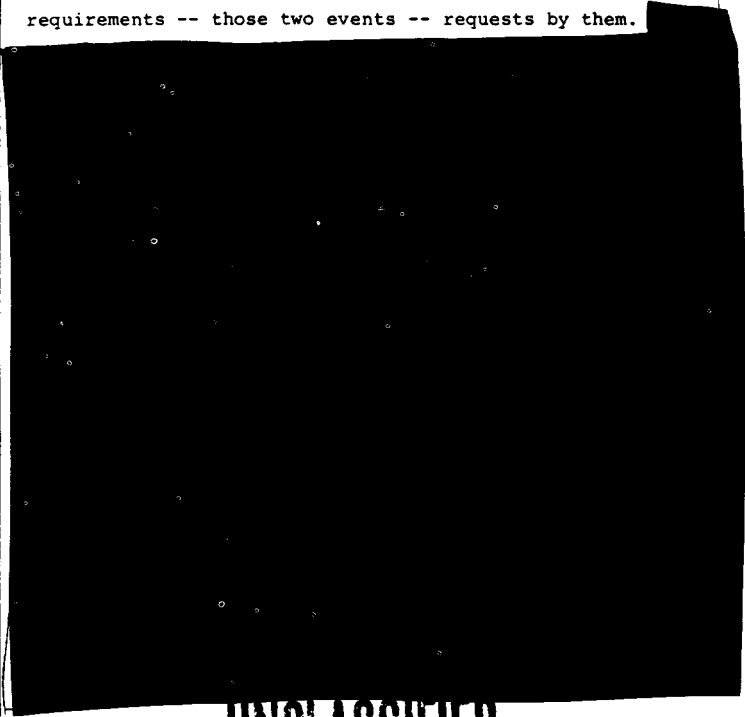
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1 The Hondurans specifically wanted aircraft, and
2 they either wanted F5s or they wanted American financing
3 to help them purchase Israeli equipment. In his memorandum
4 to Director Casey, [REDACTED] indicated that he had checked
5 with DOD and that the Pentagon was working the requirement
6 on the F5s.

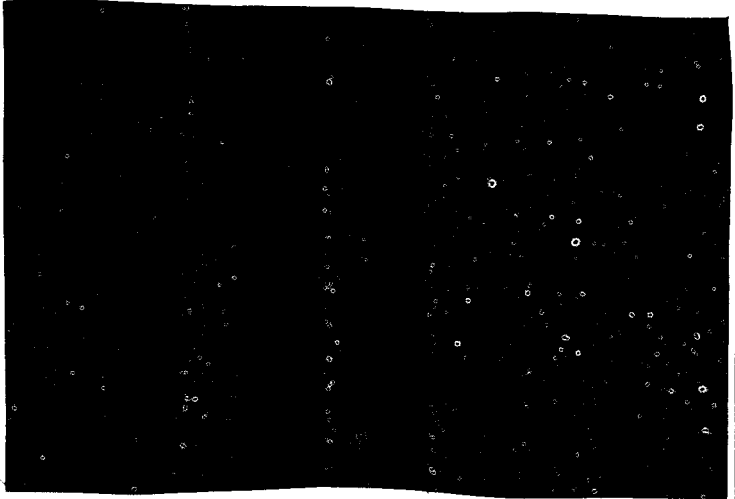
7 Is that something you would have any knowledge
8 of, sir?

9 A I don't have any knowledge of those two
10 requirements -- those two events -- requests by them.

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12 But the decisions that were made around the
13 F5, the thrust of that whole thing was how do the Hondurans
14 defend themselves? Are we going to try to take 10 years
15 and build them better ground efforts so that ^{they} can do this,
16 which would mean all kinds of logistics and fire support
17 and training and so forth and we would -- and it would take
18 a long time to do, or shall we go for a short-term fix,
19 which would be to agree with them that they should continue
20 to rely on their Air Force and we went for the short-term
21 fix because we felt the short-term threat was really there.

22 Now, I won't say, though, that there wasn't some
23 aspect in there of "Look what good guys we are for you; we're
24 getting you the F5s. Now why don't you be more supportive
25 yourselves?" That aspect was probably there. But what I'm

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1 saying about is from my own personal opinion anyway, that
2 was not the main point. That could have been a peripheral
3 point they made.

4 EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

5 BY MR. SABA:

6 Q General, I just have one last point before we
7 leave Honduras and, just for the sake of the record, I
8 have a document which we will mark as General Galvin Exhibit
9 5. It is a document generated by Mr. George at the CIA.
10 It is marked "Secret." It is dated, apparently, 13 November
11 1985, and it indicates that a copy was provided to you.

12 I show this to you now and I am interested
13 particularly in the last full sentence on the first page
14 in item number 2, which states that [REDACTED]

15 [REDACTED]
16 [REDACTED]

17 (The following document was marked as

18 JG Exhibit 5 for identification.)

19 COMMITTEE INSERT

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1 BY MR. SABA:

2 Q I would ask you if, first, you received that
3 document, if you recall receiving the document.

4 A No, I didn't receive this document.

5 Q Would you like an extra few minutes to read
6 the document.

7 A Yes. But I can tell by looking at it that I
8 didn't receive it. I've never read this before.

9 (Pause.)

10 MR. SAXON: General, you note that numbered
11 paragraph 5.at the very end indicates who it's being made
12 available to. The information.

13 THE WITNESS: The information.

14 MR. SAXON: Yes, sir.

15 BY MR. SABA:

16 Q Do you recall receiving the document?

17 A No, I didn't receive the document.

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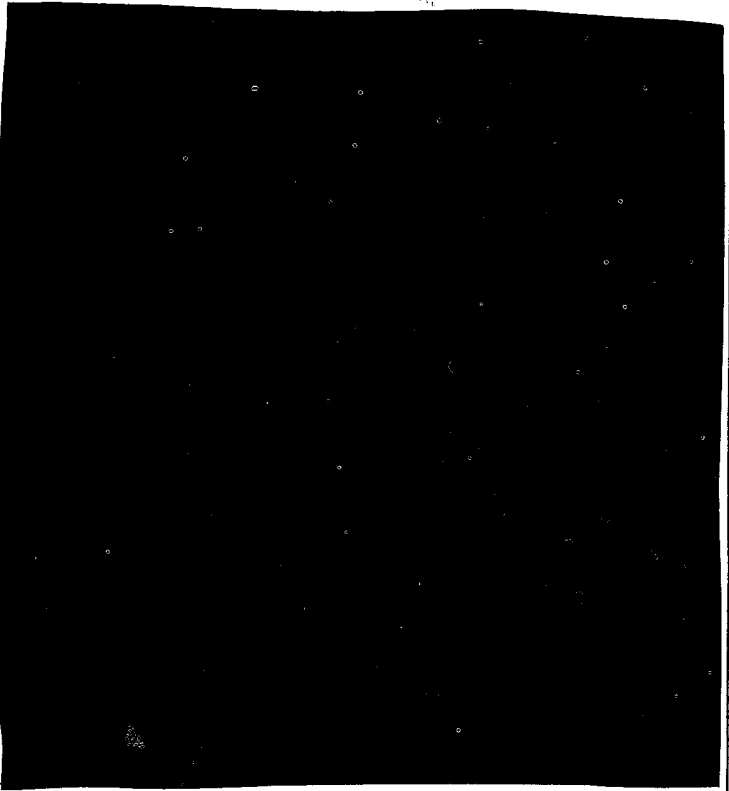
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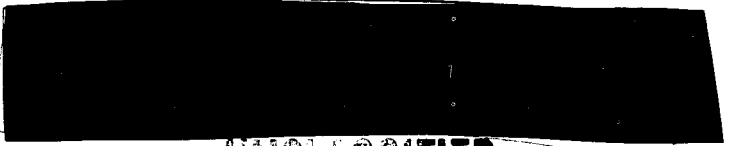


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18 MR. SABA: I have nothing further on Honduras,
19 sir.

20 MR. KREUZER: Joe, I have some.

21 EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

22 BY MR. KREUZER:

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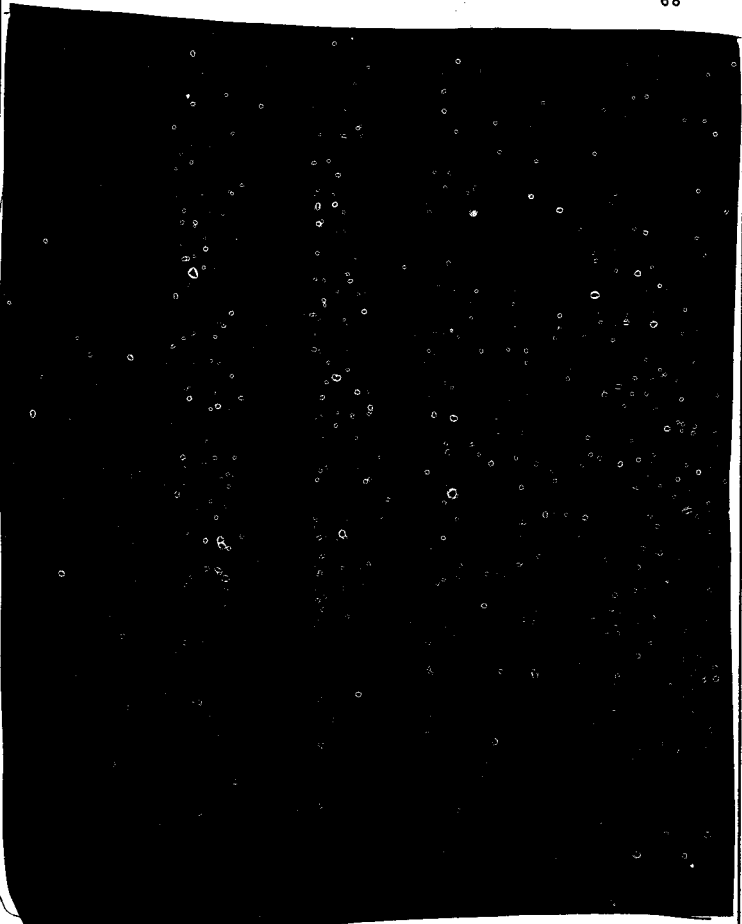
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EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

BY MR. SAXON:

Q General, I apologize. I told you I was through
with Honduras, but apparently I'm not.

One second.

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1 MR. SABA: Off the record for a moment.

2 (Discussion off the record.)

3 MR. SABA: Back on the record.

4 BY MR. SAXON:

5 Q Let me then show you this exhibit on Honduras
6 and ask that this be marked -- I believe it would be exhibit
7 6, and that's a copy for you, sir, and I'll give you a
8 moment to read it.

9 (The following document was marked as

10 JG Exhibit 6 for identification.)

11 'COMMITTEE INSERT

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1 (Pause.)

2 THE WITNESS: Okay.

3 BY MR. SAXON:

4 Q Sir, I'm not going to get into the matters in
5 numbered paragraphs 2 through 4. I think we have a good
6 understanding about what went on there, so I simply want
7 to ask you if -- by the way, this is a cable from [REDACTED]
8 [REDACTED] of the agency, and in April of 1986. Would I
9 be correct in saying that the matter referenced in
10 paragraph 1 is what we discussed earlier in which you made
11 your recommendation to the Joint Chiefs that there should,
12 perhaps, if the Congress were willing and the legal
13 arrangements worked out, there should be [REDACTED]
14 [REDACTED]

15 A That's right.

16 Q -- and this is a further statement that the
17 agency differed in that view?

18 A Yes.

19 Q All right, sir. That's all I have on Honduras.

20 EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

21 BY MR. SABA:

22 Q Leaving Honduras, we journey south again to
23 Costa Rica. Again, sir, I would ask that same opening
24 question as to Costa Rica, which is was the MILGROUP
25 commander with whom you dealt and what the relationship

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1 between you and him was.

2 A John Taylor was the MILGROUP commander for most
3 of the period and my relationship with him was that I saw
4 him about once a month. We had a fair amount of activity
5 going on and so we got together and discussed it about
6 once a month.

7 Q Did that generally involve you going to Costa
8 Rica or his coming to you?

9 A Generally my going to Costa Rica.

10 Q What briefings, if any, did you provide -- I
11 believe it was Lieutenant Colonel Taylor -- concerning the
12 assistance that uniformed U.S. personnel might provide to
13 the Nicaraguan resistance?

14 A I told Taylor on my first visit -- I recall that
15 specific one -- that I wanted him to have absolutely no
16 contact with the Nicaraguan resistance and that I would
17 view it with great concern if he had any kind of involvement
18 in that.

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Q Did you become aware of support that Colonel Taylor was providing to aircraft providing assistance to the Nicaraguan resistance?

A No. In fact, to this day, I had concluded that

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1 Taylor was not involved in that kind of thing. Taylor told
2 me that he was not involved, that he had no knowledge of
3 activities in support of the contras on this south flank.

4 Q Is it correct you had no knowledge, then, of any
5 coordination by Taylor with Costa Rican airport personnel
6 involving landing of aircraft in Costa Rica?

7 A I had no knowledge of that.

8 Q Did you have any knowledge of Taylor's or
9 someone under Taylor's direction assisting in approximately
10 May 1986 with a plane loaded with lethal equipment stuck in
11 the mud in an airport in Costa Rica?

12 A No, I didn't know about that.

13 Q Did you have any information about Taylor's
14 provision of assistance at an airport he and others
15 referred to as Point West?

16 A I've never heard the reference "Point West."

17 Q This would be an airstrip [REDACTED]
18 [REDACTED] which was built at that time and it was used in
19 assistance to the contras. Were you aware -- and it was
20 sometimes called Hamilton's.

21 A I wasn't aware of it called Point West or
22 Hamilton's, but I was aware that there was an airfield somewhere
23 in there that was used by the contras.

24 Q How did you become aware of that airfield?

25 A I think I became aware of it -- let me see.

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1 I'm not sure how I became aware of that. I
2 might have -- no, I can't speculate. I'm not really sure
3 how I got that information. I didn't get it in writing or
4 something. Somebody mentioned it somewhere, and I remember
5 that -- and this was -- it seems to me that I became aware of
6 that -- I was going to say after the 100 million. I think
7 I became aware of that after the 100 million time, so it
8 would have been after October of '86.

9 Q All right, I'll get back to that chronologically,
10 but just to follow my questions for the record, is it correct
11 that you -- were you aware of any orders that Colonel Taylor
12 gave to persons under his direction to service aircraft
13 landing either at that airport or at San Jose International?

14 A No.

15 Q Did you receive any reports concerning 
16 
17 

18 A No.

19 Q Did you participate in any meetings, whether
20 alone or with others,  concerning that
21 airstrip?

22 A No, I didn't.

23 Q With President Arias?

24 A As I said, I went to that meeting with Arias that
25 we mentioned earlier. I don't believe that that meeting had

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1 anything to do with the airstrip. I don't recall the
2 airstrip being mentioned.

3 Q There was no conversation, then, and I'm looking
4 at the period roughly May 1986 with President Arias
5 concerning that airstrip [REDACTED]
6 [REDACTED]

7 A Not that I recall.

8 Q At approximately that period of time when I'm
9 interested in, roughly the transition between President
10 Monge and President Arias, do you recall if you knew of the
11 airstrip at that point in time?

12 A Yes, I did. [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]

16 Q To refresh your recollection referring to the
17 meeting in April of 1986 in attendance with Colonel North,
18 newly elected President Alvarez and Ambassador Tambs,
19 [REDACTED] Abrams, Burghardt and yourself, do you recall
20 the airstrip question coming up at that meeting?

21 A I don't recall it coming up at that meeting, but
22 I do recall that at the time of the change in presidents is
23 when I became aware that there was an airstrip [REDACTED]
24 [REDACTED]
25 [REDACTED]

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1 Q Do you recall who informed you about the
2 airstrip?

3 A It seems to me that it was Ollie North, but I
4 don't -- I can't really remember.

5 Q Would that have been in person at that time or
6 would it have been by a memo?

7 A It would have been in person because he didn't
8 write any memos, and I would see him, you know -- he didn't
9 write me any memos.

10 MR. SAXON: I think you, sir, would be about the
11 only person to whom he didn't write memos.

12 MR. SABA: That's why I smiled. He wrote memos
13 to the world at large.

14 THE WITNESS: He didn't write me any. I think
15 he may have told me. I seem to remember a discussion, either
16 with Ollie or with Ambassador Tambs to the extent that
17 there was an airstrip, that it was being used by benefactor
18 aircraft

19 [REDACTED]

20 BY MR. SABA:

21 Q What was the conclusion of that meeting?

22 A I'm not sure it was a meeting -- do you mean
23 the meeting that you just went into with all those people?

24 Q With Colonel North, in terms of just providing
25 you the information?

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1 A I'm not sure there was any conclusion to it.
2 I don't think that that information was provided directly
3 to me. I might have been at a meeting where I heard that
4 information. There was no -- we didn't have any connection
5 at that airfield and so there was no, you know, there was
6 no time that I was asked to do anything about it or anything
7 like that, but somehow I became aware of it, I think because
8 I was in the meeting, in a group where that airfield was
9 discussed.

10 Then I asked something like, "Where is it," and
11 I found that it was up -- you know, I found the location
12 of it. I remember that that location happened to be one that
13 was on my route of flight [REDACTED] so I
14 could verify myself that, indeed, there was an airfield
15 there that had been improved.

16 MR. SAXON: For the record, sir, this secret
17 airstrip was also on the flight path of commercial aircraft
18 going in that area?

19 THE WITNESS: Yeah, I would assume that's right.

20 BY MR. SABA:

21 Q Do you recall having discussions at this time --
22 and again, I'm referring to the time that President Arias
23 was elected and we have a transition in the regime, being
24 April-May 1986, with Ambassador Tambs about the airstrip?

25 A No, I don't recall a discussion with him about

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1 that. Really, with Ambassador Tambs primarily I talked
2 about military assistance programs that we had going and
3 I noticed that he was careful not to mention other things.
4 I knew about this airfield, but he didn't bring it up or talk
5 about it, or talk about any activities that had to do with
6 the contras. And I just respected his silence on that
7 point.

8 Q Do you recall a meeting with President Monge
9 after the election but prior to the inauguration of
10 President Arias in which the airstrip was discussed?

11 A No. I don't remember that that airstrip was
12 discussed in my presence with President Monge or with
13 President Arias.

14 It might have been, but I don't remember it.

15 Q You don't recall any discussion of that?

16 A No.

17 MR. KREUZER: Do you recall, perhaps, toward the
18 end of President Monge's term in office, before President
19 Arias was due to come in, that there might have been a
20 meeting with some people from Washington, D.C.,

21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 THE WITNESS: There was a meeting with Monge out

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1 at his ranch that I attended [REDACTED]

2 [REDACTED]

3 [REDACTED] Ambassador Tamps, and I think maybe

4 Elliott Abrams was there for that.

5 I think that there was some --

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 BY MR. SABA:

21 Q Do you recall if the airstrip -- or any discussion
22 about the airstrip came up in that meeting with --

23 A No, I don't recall that it did. I'm not sure
24 that I have complete recall of that meeting, but I don't
25 recall that it came up.

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1 Q Moving forward in time and President Arias
2 becomes president of Costa Rica, do you recall discussions
3 with President Arias concerning the airstrip?

4 A I went to another meeting, this time at Arias'
5 house in town, in San Jose, with basically the same group
6 of people, and Arias -- and I don't think it would have
7 come up there because there were quite a few people at
8 that meeting, that is, on the Costa Rican side. There must
9 have been half a dozen of the key Costa Rican Government
10 figures there.

11 Q In the private meetings among the Americans
12 who were there at the time, was there discussion of the
13 airstrip?

14 A There must have been enough so that I knew the
15 airstrip was there. I got that out of discussions, I think,
16 at those private meetings that there was an airstrip and
17 that we needed to try to have continuing use of it as the
18 administration changed.

19 Q Do you recall in those discussions whether there
20 was discussion of aid, whether economic or military, to
21 Costa Rica linked to or in connection with that airstrip and
22 the maintenance of the airstrip?

23 A I don't remember that being brought up that way.

24 Q Do you recall shortly afterward what decision
25 President Arias made about the airstrip?

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1 A Yes, he wanted the airstrip -- he wanted the use
2 of the airstrip stopped and I think he made public the fact
3 that the airstrip was there. He wanted it known that he did
4 not support that; that the previous government did. But he
5 did not.

6 Q Did he convey to you in advance of that decision
7 what his decision would be?

8 A No.

9 Q Do you know if he conveyed in advance his decision
10 to other members of the U.S. Government?

11 A I don't know that.

12 Q Following his decision concerning the airstrip,
13 was there any further discussion as to the military assistance
14 we would or would not provide to Costa Rica? Discussions
15 among U.S. personnel?

16 A No, not that I can recall. We have done more in
17 Costa Rica since that time than we did before. I mean,
18 we've been building roads and bridges and exercising there,
19 so there wasn't any discussion that I was in on that said
20 we're going to cut back and I was never told to cut back
21 on anything we were doing with Costa Rica.

22 Q Were you made aware of the details concerning
23 the Americans or foreigners using the airstrip and the purposes
24 of the airstrip?

25 A No. I was generally aware that benefactor

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1 aircraft were coming in there. That was my understanding
2 of it. I think that it went into the period of the 100
3 million. I'm not really sure now.

4 Q The airstrip is closed down after Arias takes
5 over, basically in May of '86.

6 A So it did not, yes.

7 Q Obviously, the period I'm most concerned with
8 is early '86, moving into the transition and then the
9 airstrip is closed down.

10 A Yes. What I was aware of is that benefactor
11 aircraft, so-called, were flying in and out of there, and
12 they were supporting the southern front that way.

13 Q During this period -- let's go back to the March
14 trip, March 1986, and subsequent trip in April of 1986, I
15 believe you had on both occasions discussions with Mr. Abrams.

16 A Yes.

17 Q Did the airstrip come up in the context of those
18 discussions?

19 A Not that I recall, no.

20 Q Or with Colonel North?

21 A No. I think those discussions came up in Costa
22 Rica at the meetings we had there.

23 Q And in Costa Rica, were these discussions between
24 you and these gentlemen together or singularly?

25 A I think they were discussions that had to do with

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1 myself, Tambs, North -- he visited there once or twice when
2 I was there and possibly [REDACTED] I'm not sure
3 about him, but I think so.

4 Q Did you have any private conversations with
5 Colonel North on the subject?

6 A He may have mentioned -- you know, normally what
7 I tried to do was see North, either prior to or after RIG
8 meetings or see him in his office a few times -- I saw him
9 there -- to generally find out what he was doing or what
10 the NSC was doing in my area, or in the area I like to consider
11 mine.

12 Those were basically coordination meetings, and
13 he may have mentioned -- because I have recall of hearing
14 of the airfield more than once, hearing of the airfield
15 several times. It would be mentioned, "We're using the
16 airfield for resupply."

17 Throughout that time, my understanding was
18 legitimate resupply based on benefactor-type activities.

19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]

24 Q When you referred to "We're using the airstrip
25 for resupply," do you mean "we" in the sense of the

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1 Department of Defense or is that "we" in the sense of
2 Ollie's reference to the United States or some other "we"?

3 A "We" in the sense of civilian benefactors who
4 are helping out. My understanding of Ollie's activities
5 was that he was the go-between and the coordinator of
6 assistance, U.S. and other foreign assistance to the contras
7 that was being done by other countries or by U.S. people
8 who had money they wanted to put in that direction.

9 Q Did he at any time during your command ask
10 you in your capacity as CINC SOUTHCOM to provide support
11 assistance, or anything to that benefactor?

12 A No, he didn't.

13 Q I want to turn for a moment to one more Costa
14 Rica matter, but do either of you have any questions?

15 MR. SAXON: I have a few, yes.

16 MR. SABA: Why don't you go ahead for a moment.

17 EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

18 BY MR. SAXON:

19 Q Let me continue on the airstrip, General.

20 You indicated a moment ago that you were aware
21 that the private benefactor network was using that airstrip
22 in support of the southern front. Do I understand you
23 correctly?

24 A Yes.

25 Q And would your understanding have extended to the

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1 fact that their cargo included lethal supplies2.

2 A No, I didn't know what cargo they had.

3 Q Did you ever discuss the use of that airstrip
4 with Lieutenant Colonel Taylor?

5 A I don't believe so.

6 Q Did you ever discuss the use of the airstrip
7 with Army Major Francisco Alvarez?

8 A No, I don't think so.

9 Q Do you recall if he ever told you of efforts
10 that he had engaged in, either by himself or with a
11 Sergeant Sanchez at the request of Lieutenant Colonel
12 Taylor to aid the private supply operations at that
13 airstrip?

14 A No. He never told me anything about that.

15 Q Did you ever discuss that airstrip with
16 [REDACTED]

17 A I never discussed the airstrip. I might have
18 been at -- I might have heard it in a discussion where he
19 was present.

20 Q Did anyone ever tell you in one of those
21 discussions or did you hear reference to the fact that the
22 CIA directed the construction and paid for the construction
23 of that airstrip?

24 A No, I didn't know that.

25 Q Did you ever have occasion to discuss the

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1 existence of the airstrip and/or the private benefactor
2 in that war with Mr. Armitage at the Department of Defense?

3 A No, I didn't.

4 Q With Secretary Abrams?

5 A I don't think so, no.

6 Q Were you aware of --

7 MR. SABA: I have another one. Secretary

8 Noel ^{Koch} ~~Cook~~?

9 THE WITNESS: No, no.

10 BY MR. SAXON:

11 Q Were you aware of the effort by Colonel North
12 in the spring of '86 -- I don't have the document in front
13 of me, so I don't have the precise date, for which I
14 apologize, but there was an effort by Colonel North which
15 he conveyed to Admiral Poindexter in the memorandum to
16 concoct a cover story about the use of that airstrip, its
17 construction, its funding, et cetera, should the press
18 find out about its existence and its usage.

19 Is that something which you would have any
20 knowledge about?

21 A No, I didn't know about the cover story.

22 Q And I take it, then, that you would not have
23 any knowledge as to whether Colonel North was correct when
24 he asserts in this memorandum that he cleared this cover
25 story regarding the airstrip with [REDACTED] Secretary Abrams,

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1 and Secretary Armitage?

2 A I hadn't heard about that.

3 Q In your discussions with Colonel North about his
4 activities in being the go-between, the coordinating point
5 for contra resupply efforts, did he ever tell you about
6 the involvement of General Secord, Albert Hakim, Richard
7 Gadd, any of the players whose names have come out in recent
8 weeks and months?

9 A No. He mentioned -- now and then, he mentioned
10 General Singlaub. He might mention something about Singlaub's
11 activities, but he didn't mention Secord or those others
12 and I didn't know they were involved in this.

13 Q While this doesn't relate directly to Costa
14 Rica, it flows from the previous question, did he ever
15 mention to you, sir, that in any way, money to support the
16 contras would be coming from arms sales to Iran?

17 A No, he didn't.

18 Q Finally, on Costa Rica, did Ambassador Tambs
19 ever tell you directly or did you hear from anyone else
20 in the embassy there or in the MILGROUP that Ambassador Tambs
21 had indicated to them that his mission in being sent to
22 Costa Rica was to open a southern front?

23 A No, no.

24 MR. SAXON: That's all I have right now.

25 MR. KREUZER: I have --

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1 MR. SABA: I'll get back to you, but I have --
2 he covered some of my questions and I just want to follow
3 on with one question for the record.

4 As you have noticed, we have mentioned that
5 several military personnel assigned to the MILGROUP may have
6 been involved in support provided to aircraft landing in
7 Costa Rica.

8 You have indicated that you didn't have knowledge
9 of that support, nor had you issued any order with respect
10 to that support, and I believe it was your testimony -- correct
11 me if I'm wrong -- that you had specifically on assuming
12 command cautioned Colonel Taylor that he was to avoid such
13 support.

14 THE WITNESS: That's right.

15 EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

16 BY MR. SABA:

17 Q Assuming that such support, in fact, took
18 place, could you explain how it would occur that members
19 of the military might be so engaged in the absence of a
20 set of orders in the usual chain of military command?

21 A First of all, that's a very small military
22 group. There are only a couple of people there.

23 Second, as I said, when you look at the
24 organization of the military group, as I mentioned early
25 in this discussion, there is a dual chain of command in that

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1 I have responsibility when it comes to the military
2 expertise that those officers are providing to the Country
3 Team, but they work for the ambassador. They are there
4 at his convenience. He can say, "I don't want this
5 officer anymore," or "I want to extend him," and normally,
6 although I would have some say in that, I would support
7 whatever the ambassador would like to do.

8 I think that possibly the reason why some of
9 that information -- or the reason for those activities,
10 if there is a good reason -- there is no good reason, by
11 the way, but there is -- one can come to some conclusions
12 and that is that those are isolated officers who have
13 intermittent contact with me and my headquarters and who
14 are -- who feel that they are working for, in this case,
15 Colonel Taylor who is working for Ambassador Tambs.

16 But I still can't account for any -- I can't
17 give you a good reason why they would take an order from
18 Taylor, for example, or why Taylor would take directions
19 that he didn't think were correct; that is, legal.

20 Q But it would be fair to say, I suppose, that
21 if he was not acting on direction of his military superiors,
22 it is presumed that he was given direction elsewhere in the
23 embassy --

24 A Either that or he was acting under his own
25 volition.

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1 MR. SAXON: Sir, you've said that he would have
2 had two bosses in the military chain of command, you and
3 directly the ambassador.

4 THE WITNESS: Uh-huh.

5 MR. SAXON: Is it possible that he could have
6 had a third boss, [REDACTED]

7 THE WITNESS: The answer to that is no. I mean,
8 he knows that he's -- any MILGROUP commanders knows he is
9 not working for [REDACTED] He's working for the
10 ambassador. He's equal to [REDACTED] in that
11 sense.

12 MR. SAXON: If Colonel Taylor did something at
13 the direction or request of [REDACTED]
14 [REDACTED] would it be your assumption that that would be
15 something that he either expressly cleared with Ambassador
16 Tambs or knew that Ambassador Tambs gave his approval?

17 THE WITNESS: Yes.

18 MR. SABA: I have no further questions on
19 Costa Rica.

20 EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

21 BY MR. KREUZER:

22 Q Sir, Lieutenant Colonel Taylor -- did you ever --
23 how frequently did you see Lieutenant Colonel Taylor?

24 A Oh, about once a month or sometimes it went
25 once every two months.

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1 Q Did he ever discuss with you or did you ever
2 discover or know that he may have been having contacts with
3 arms dealers?

4 A No. He never discussed that with me and I didn't
5 know anything about that.

6 I did, as I say, reinforce with Taylor what I
7 had told him initially, as I did with the other MILGROUP
8 commanders, and that is, remember that you are not in a
9 position where you can help the contras because we military
10 can't be involved in that.

11 MR. KREUZER: Okay. Thank you, sir.

12 MR. SABA: We are certainly more than two-thirds
13 through this deposition, but if someone would like a break,
14 we can take a 5-minute break.

15 LIEUTENANT COLONEL RANKIN: I'd like to -- we
16 don't need to take a break, but I'd like to at least call
17 an independent counsel with whom we're supposed to meet
18 afterwards and advise him --

19 MR. SABA: I would like a 5-minute break.

20 (Recess.)

21 MR. SABA: Back on the record.

22 Unless there are further questions about Costa
23 Rica, we'll move up the coast to El Salvador.

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1 EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

2 BY MR. SABA:

3 Q General, I begin again in El Salvador with the
4 same initial question, which was do you recall who the
5 MILGROUP commander was and how did you relate to him and
6 what were those circumstances?

7 A The MILGROUP commander was Colonel Jim Steele,
8 and I related to him primarily through visits that I made
9 to El Salvador, which were about once every two weeks. Plus
10 visits that he made to my headquarters which were about
11 once a month or perhaps once every six weeks.

12 Q What was the nature of the relationship between
13 SOUTHCOM and the MILGROUP in El Salvador? What occasioned
14 these relatively frequent visits?

15 A Well, of course, I was the commander of Steele,
16 as was the ambassador also. We've discussed that. The
17 war in El Salvador was my primary -- my top priority, and
18 Jim had a very important job with 55 people there trying
19 to influence the outcome of the war.

20 Q What was the nature of the military assistance
21 we provided during this period of El Salvador?

22 A We were providing in terms of funding, we were
23 providing something over \$100 million a year, and we had
24 55 people in the country who were administering that funding
25 and were providing advice and assistance tactically, on the

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1 tactical level to the Salvadoran Armed Forces.

2 Q Could you tell us a little bit more about what
3 the nature of that tactical assistance involved?

4 A Well, it involved everything from national
5 planning at the national level of the integration of the
6 military forces into the national effort to defeat the
7 insurgency down to individual and collective training at
8 the training centers and a tactical training and advice
9 at the brigade level. There were six brigades. And assistance
10 at the high-staff level in San Salvador.

11 Q At the brigade level, would this have involved
12 the use of U.S. Special Forces?

13 A Some of the training, mobile training teams
14 which were sent to El Salvador at various times to provide
15 training were Special Forces.

16 Q Do you recall if there were Special Forces at
17 Ilopango?

18 A There were no Special Forces stationed at
19 Ilopango. There might -- there is a Salvadoran airborne
20 battalion stationed there and there are other Salvadoran
21 units which are like Special Forces units stationed there.
22 So at different times, there might have been small teams of
23 Special Forces, U.S. Special Forces, training the Salvadorans.

24 Q Would it be fair to say that our -- that those
25 individuals would have reasonably accurate knowledge of

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1 military events in their districts?

2 A Yes.

3 Q Would it be reasonable to presume that they
4 would have knowledge of military movements and placement of
5 significant equipment?

6 A When you say "they," you mean Special Forces
7 people or all of --

8 Q Yes. No, the mobile training units.

9 A They might, they might, but remember, they
10 would come and go. They were not stationed there. They
11 would come and go. They might stay a week or two or maybe
12 even a month.

13 Q I direct the same question, then, to the next
14 level up, which would be did their superior officers?

15 A The people who were stationed there on a
16 permanent basis would -- and if the individual's job
17 took him out to a place, say at Ilopango, he would know
18 what was going on at Ilopango. He would know if aircraft
19 came in and out and other activities unless they were
20 very closely covert activities. I assume he would know.

21 Q Were you aware of a warehouse

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24 A I was aware of a warehouse or warehouses

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Q Were any reports generated

as to the warehouse and the material contained
in the warehouse?

A No, that I know of.

Q How did you become aware of the warehouse?

A I talked to members of the military group, and
they told me about it.

Q Do you recall to whom you spoke?

A I think it was Jim Steele.

Q And he informed you about this warehouse?

A He informed me that there was a warehouse

Q By any chance, would you have had an occasion
to speak to Master Sergeant Hazelwood?

A No, not about this.

Q What did Colonel Steele tell you about the
warehouse?

A Colonel Steele told me the warehouse existed.
He said that this CIA representative -- not CIA representative
but the --

MR. SAXON: Felix Rodriguez.

THE WITNESS: Felix Rodriguez.

MR. SABA: Also known as Max Gomez.

THE WITNESS: Also known as Max Gomez, knew about

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1 it- [REDACTED] That's what
2 Jim told me.

3 BY MR. SABA:

4 Q What did you come to understand of the role of
5 Felix Rodriguez?

6 A Well, I saw Felix Rodriguez when he first came
7 in and his role was to assist in what were called
8 [REDACTED] operations. [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]

13 a high-ranking
14 guerrilla leader, was picked up in one of these strikes.

15 Max Gomez would go on those strikes. He would
16 assist the Salvadoran Air Force in those operations. My
17 impression also was that Max Gomez liked to get into other
18 things, too. I mean, he seemed to be a very active, very
19 dedicated person. [REDACTED]
20 [REDACTED]

21 Q Did you come to know that he provided assistance
22 as well to the contras?

23 A I don't know whether I did come to know that
24 specifically or not. I'm not surprised that he did. My
25 impression of Felix Gomez was that if he provided assistance
to the contras, it was definitely some -- it was an add-on

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1 to the main thing that he was doing, which was this
2 training in tactical operations.

3 Q Do you know if any members of the MILGROUP
4 provided any assistance to Max Gomez in his activities
5 relating to the contras or the resupply effort?

6 A No, I did not know that. I heard recently
7 about providing Max Gomez with an automobile. I had not
8 heard that until maybe a couple of weeks ago.

9 Q Apart from what you may have heard a couple
10 of weeks ago or in the press in connection with the current
11 hearings, did Colonel Steele or anyone else from your
12 MILGROUP in El Salvador inform you that -- of activities
13 in support of the contras?

14 A No. Colonel Steele was in a very difficult
15 position in which I felt he was. He had to be out at
16 Ilopango all the time; he had to be working with the Armed
17 Forces there; he was the military man in charge there of
18 military activities, and therefore, [REDACTED]
19 [REDACTED] I worried about Steele and so I
20 talked to him fairly often, saying, "Don't have anything to
21 do with this [REDACTED] If things are going on [REDACTED]
22 [REDACTED] stay away from it."

23 I, several times, discussed this with him,
24 saying words to that effect.

25 Q Referring back to Exhibit 4, which was simply a

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1 schedule of an itinerary of these individuals, you will
2 note that one stop, though apparently a relatively brief
3 one, was at Ilopango. Do you recall the purpose for stopping
4 there and what transpired?

5 A Right now, I don't, no.

6 That was the trip in which the basis of the
7 trip -- if I'm not mistaken, wasn't that the trip to
8 encourage --

9 Q This was the March 1986 trip and it shows a
10 stop -- and presumably -- the aircraft left Tegucigalpa
11 and went to Ilopango, and according to the exhibit, you
12 joined the party at Tegucigalpa and, therefore, would have
13 accompanied them to Ilopango where the party appears to have
14 remained for several hours.

15 A I'm not sure that I did accompany them to
16 Ilopango. What happened on this was that I had taken leave
17 and so I came -- I was at the beach with my family and I
18 came up to Tegucigalpa, but I was also, although I wanted to
19 respond to Elliott Abrams' request, I was also kind of
20 anxious to get back to Panama. I'm not sure I went over
21 here. I think I might have come up in my own aircraft, and
22 then just turned around and flown back.

23 Q When you refer to "up," you mean Tegucigalpa?

24 A To Tegucigalpa, that's right.

25 Q So you do not recall having accompanied the

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1 party to Ilopango?

2 A No, I don't. I ^{MAY} have accompanied them, but I
3 don't recall anything about that.

4 Q Do you recall why the party went to Ilopango?

5 A This was a visit to the area to encourage the
6 leadership in Honduras and El Salvador -- encourage them
7 about the nature of -- the sustained nature of our support.
8 I believe the Poindexter memo is associated with this
9 visit?

10 Q That's correct, sir.

11 A . And what Admiral Poindexter says there is
12 correct, as I understood the visit. It was to provide
13 encouragement.

14 Q Who would have been at Ilopango to encourage?

15 A It would have landed at Ilopango in order to
16 go to see President Duarte, I assume.

17 Q Yet they went on to San Jose, Costa Rica. There
18 is no other stop at El Salvador, so your understanding
19 was that they were going to see the president at Ilopango.

20 A I think so. Let me look at this again. It
21 went "Arrive Ilopango at 1305 and depart Ilopango at 1530,"
22 so that's simply the airfield at San Salvador and President
23 Duarte, of course, has his office there in San Salvador, and
24 I assume that what this was was a visit to see him.

25 Q Generally, are you familiar with a piece of

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1 equipment called a KL-43?

2 A I think it's a piece of secure equipment.

3 Q Do you have one for your use?

4 A I don't call it a KL-43. I had different ways
5 of securing a telephone.

6 Q It's a TRW-manufactured -- sometimes referred
7 to as a TRW.

8 A No, I don't have that particular piece.

9 Q Were you aware that Max Gomez had one available
10 to him?

11 A No.

12 Q Were you aware that Colonel Steele made use
13 of the machine for particular secure transmissions?

14 A No.

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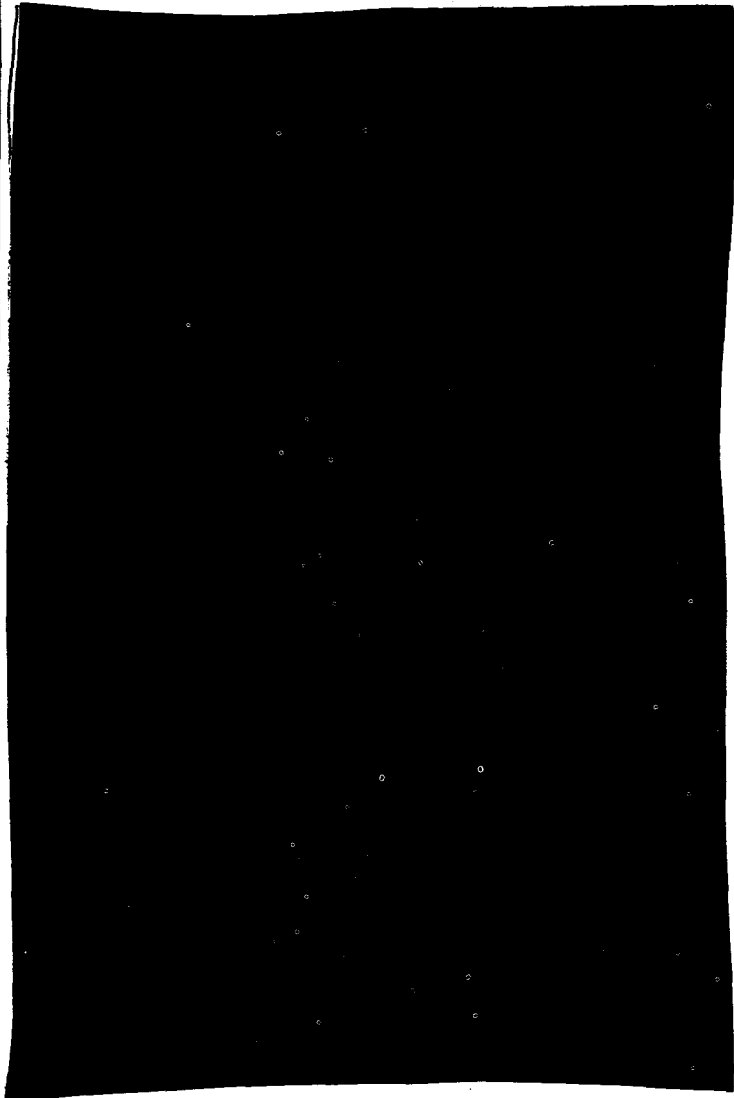
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A You know, there was a question -- there's a

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1 question in my mind as to whether it was [REDACTED] activity.
2 or North's activity. You remember that -- and I think
3 this occurred at about the time that there was a
4 transfer over. In other words, it was more close to,
5 it seems to me, close to the time when the Boland Amendment
6 was going to go out and the hundred million was coming in
7 because I remember that there was a question about who's
8 running what. This is a North [REDACTED] question.

9 Q Would it help to recall if Mr. McFarlane or
10 Mr. Poindexter was the National Security Adviser, that
11 taking place at the end -- the transition being at the end
12 of '85?

13 A It seems to me that Poindexter was there then.

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[REDACTED]

Q Was it your understanding from your conversations with [REDACTED] and North that they were causing this assistance to take place; that is, if you were asking why this is going on and when will it end, the implication is that the person to whom you're directing your inquiry has some direction and control in that.

A Well, my understanding was that they had connections with the people who were doing this and that they could make it stop. I really didn't think that Ollie North was running an operation. I thought he was monitoring an operation.

I didn't think that -- I'm convinced that [REDACTED] wasn't running an operation that was illegal, so that's

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1 why I think the dates must have been after the Boland
2 Amendment part because really [REDACTED] wasn't into that kind of
3 effort prior to the Boland Amendment. [REDACTED] was always
4 involved in bringing up the task force that was going to
5 support the State Department in their efforts.

6 So I don't want to imply that [REDACTED] was doing
7 something wrong there, I think, because I don't think he
8 was. My knowledge now is that [REDACTED] was not. So, whether
9 I mentioned it to him simply because he could influence --
10 or he could mention it to North or something else like that,
11 I don't know.

12 I don't believe we're talking about something
13 where [REDACTED] was running an operation at the time when you
14 couldn't do that.

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1 A Well, at that time frame, I must have spoken
2 to North about it, and not [REDACTED] because --

3 Q Excuse me, this would've been October '86 in
4 looking for a calendar period.

5 LIEUTENANT COLONEL RANKIN: I think I can help
6 you clarify that.

7 THE WITNESS: Yes.

8 LIEUTENANT COLONEL RANKIN: I think it was in
9 the February '86 time frame that you -- that Steele made
10 you aware of this and then you brought that to the
11 attention of [REDACTED] and Ollie.

12 THE WITNESS: But I'm trying to think of why
13 would [REDACTED] -- why would I --

14 LIEUTENANT COLONEL RANKIN: That was at the time
15 of the humanitarian assistance --

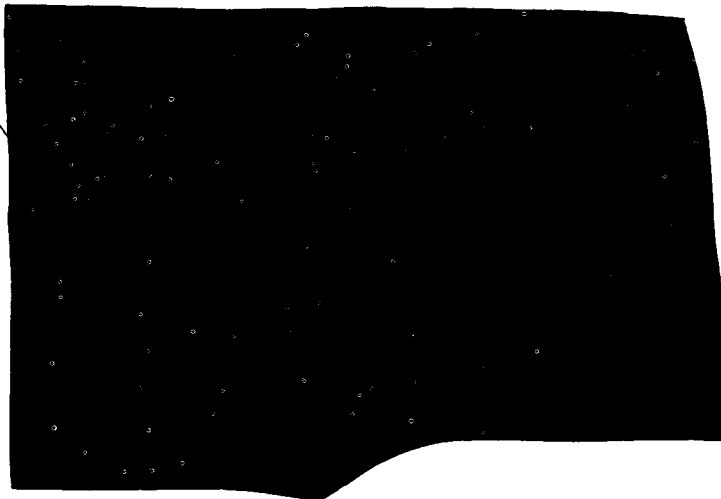
16 THE WITNESS: Okay, maybe that's what it was.
17 I was trying to figure out why I would tell [REDACTED] because
18 I do remember talking to [REDACTED]

19 [REDACTED]
20 he would know something about that.
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED]

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BY MR. SABA:

Q I understand that, sir, but apart from the humanitarian assistance, there's a suggestion here that it was understood that [REDACTED] and North, together or separately, had the ability to direct or stop, at the least, the flow of materials, including lethal materials [REDACTED]

[REDACTED]
and we're looking at the period of the first six months of 1986.

A Well, those were the only contacts that I had who would know anything about this. I wasn't sure that they could do anything about it. But I mentioned it to both of them, saying, in effect, "If you can make this stop, you should take a look at doing that."

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1 But I didn't have anybody else to go to. I
2 didn't know any other contact.

3 Q Just so we're clear on the record, my understanding
4 then, is that you went to [REDACTED] and Mr. North in an effort
5 to suggest that the assistance [REDACTED]

6 [REDACTED] be halted
7 [REDACTED]
8 [REDACTED]

9 A Yes.

10 MR. SABA: All right, I'd like to stop for a
11 moment. Do you --

12 MR. SAXON: On El Salvador?

13 MR. SABA: On El Salvador.

14 Why don't you go ahead.

15 EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

16 BY MR. SAXON:

17 Q General, let me go back to the [REDACTED] warehouse
18 and ask you what you knew about its construction. Was it
19 already there when Colonel Steele informed you about it?

20 A My impression is -- yes, it was already there
21 when he told me.

22 Q Did anyone tell you, Colonel Steele or otherwise,
23 about who constructed it or had it constructed and who paid
24 for it?

25 A No.

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1 Q Did Colonel Steele ever tell you that he
2 rendered any assistance in its construction?

3 A No.

4 Q Do you know, or did you ever have any dealings
5 with a Lieutenant Colonel Rankin, Air Force, not Lieutenant
6 Colonel Rankin here today --

7 A Yes.

8 Q [REDACTED]

9 A [REDACTED]

10 Q Do you know him, sir?

11 A Yes.

12 Q Did he ever tell you anything about this
13 warehouse?

14 A No.

15 Q I would take it, then, you would not know
16 whether he had any involvement in aiding the construction
17 of that warehouse?

18 A I wouldn't, no.

19 Q Let me ask you a couple of questions about
20 Colonel Steele. Did he ever indicate to you that he was
21 aiding in any way the private benefactor resupply network?

22 A No. In fact, I told him to make sure he didn't.

23 Q To your knowledge, did he ever provide any
24 tactical information, weather information or anything else
25 about locations of landing zones or anything that would have

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1 assisted the air drops in the southern front?

2 A Not that I know of?

3 Q As far as you know, did Lieutenant Colonel
4 Ranking aid the private supply network in any way?

5 A Not that I know of.

6 Q Let me ask you about Felix Rodriguez through
7 the median of Colonel Steele. Did you and Colonel Steele
8 ever talk about Felix Rodriguez or Max Gomez?

9 A Yes.

10 Q Did Colonel Steele ever tell you that Felix
11 Rodriguez was aiding the southern front?

12 A No.

13 Q Did he ever tell you that that's the reason why
14 Felix Rodriguez was sent to El Salvador?

15 A No. In fact, he told me that the reason Felix
16 Rodriguez was sent was to work the [REDACTED] operations.

17 Q Did he ever refer to Felix Rodriguez as the
18 United States Government's no-pay mercenary?

19 A No.

20 Q Did he ever tell you that he had been assigned
21 the task of monitoring the activities of Felix Rodriguez
22 in assisting the southern front?

23 A No.

24 Q Let me ask you some questions directly about
25 Mr. Rodriguez.

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1 Did you ever talk to him yourself?

2 A Yes.

3 Q And did he ever tell you he was engaged in
4 any activities to aid the southern front, specifically
5 the contras operating there?

6 A No.

7 Q Did you ever talk about Felix Rodriguez with
8 General Gorman?

9 A No.

10 Q Would you have any knowledge that General
11 Gorman was instrumental in having Felix Rodriguez brought
12 to El Salvador?

13 A No.

14 Q Do you have any knowledge that General Gorman
15 provided a plane to fly Felix Rodriguez from Panama to
16 El Salvador for his initial meetings [REDACTED]
17 [REDACTED]

18 A No.

19 Q What about any cable traffic initiated by
20 General Gorman to Ambassador Pickering or from Ambassador
21 Pickering to General Gorman about Felix Rodriguez..

22 A I didn't see any.

23 Q Would you have any knowledge of the fact that
24 General Gorman assigned or asked Colonel Steele to monitor
25 the activities of Felix Rodriguez with regard to

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1 Mr. Rodriguez aiding the contras?

2 A No.

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1 Q Final question that I have with regard to El
2 Salvador, were you aware of any efforts by Master Sergeant
3 Hazelwood to participate in mobile training teams that would
4 travel throughout Central America and providing training
5 to the contras?

6 A No. No. Hazelwood was a trainer of the Civil
7 Defense and that's what I thought he did all the time.

8 MR. KREUZER: I have a couple.

9 EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

10 BY MR. KREUZER:

11 Q Sir, across town, I believe, is the national
12 military headquarters in El Salvador, and General Blandon
13 is the commander in chief --

14 A That's right.

15 Q Did you know him?

16 A Yes.

17 Q Did you have any discussions ever at all with
18 him about contra support or status or anything like that?

19 A No.

20 Q Colonel George Maynes works, I believe, in that
21 headquarters.

22 A Yes.

23 Q He's the U.S. --

24 A He's the attache.

25 Q Attache. Did he ever have any discussions with

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1 you --

2 A No.

3 Q -- about --

4 A Not about the contras.

5 Q And there's a Lieutenant Luis Rodriguez, I
6 believe, who was also there.

7 A Not with him either.

8 Q No discussion.

9 A No.

10 MR. KREUZER: Okay, thank you.

11 EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

12 BY MR. SABA:

13 Q General, I have an exhibit which I think is
14 appropriate in continuing this El Salvador matter. I believe
15 it will be General Galvin Exhibit 7, and, sir, take a few
16 moments to review it.

17 (The following document was marked as

18 JG Exhibit 7 for identification.)

19 COMMITTEE INSERT

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1 (Pause.)

2 MR. SABA: For the record, the exhibit is a
3 memorandum. It is classified "Secret." It is for John
4 Poindexter from Oliver North, and is dated January 15,
5 1986. It indicates as its subject a meeting with General
6 Jack Galvin, USSOUTHCOM.

7 It is a one-page memorandum.

8 (Pause.)

9 MR. SABA: First, sir, I'd ask you if you are
10 familiar with the meeting that is referenced, Thursday,
11 January 16, 10:30 a.m.?

12 THE WITNESS: Yes.

13 BY MR. SABA:

14 Q Sir, directing your attention to the first
15 paragraph of this memorandum, do you provide this
16 information as to your recommendations on plans for effective
17 support to the democratic resistance forces in Nicaragua?

18 A I think that this was about the same time that
19 we were in a discussion with the JCS on what should be the
20 military support. This is the thing we talked about earlier.

21 You know my views on that. The meeting with
22 Admiral Poindexter was -- I believe this was the first
23 meeting that I had with him, of a total of about two or
24 three meetings. Poindexter, if I'm not mistaken, was fairly
25 new at that time -- wasn't that the time that he came in?

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1 Q Essentially correct.

2 A And I wanted to find out what his views were and
3 what the NSC's views were with reference to different things
4 in Central America, but especially with reference to
5 Nicaragua. How did the NSC view Nicaragua?

6 Since I had been discussing earlier this question
7 of how do you support the contras, if you are allowed to
8 do military support, and I had also discussed that with
9 North and I think with Abrams and with [REDACTED] I can see
10 that Ollie would put that in there, but I don't believe we
11 actually even discussed that matter because, first of all,
12 I was presenting that to the JCS so I wouldn't take something
13 that I hadn't gotten an answer from the JCS on and take
14 it up with the NSC, although I might have touched on it. I
15 might have said something like, "It would be better to
16 support this with military -- with a military organization,
17 rather than the CIA." This represents --

18 Q If I can, sir, in arranging for this meeting,
19 there is an implication in this first paragraph that you had
20 a prior discussion with Colonel North as to what those
21 specific recommendations might be. Did you have such a
22 discussion?

23 A I think that I told North that I'd like to meet
24 with Poindexter. In fact, I'm sure that I told North that
25 I'd like to meet with Poindexter simply to make the contact

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1 so that I would know him. I didn't know John Poindexter up
2 to that point.

3 But also, I had discussed, although I don't
4 think it was connected with this meeting, I had discussed
5 with North or he had discussed with me -- we had discussed
6 what would be the way the military could support the contra
7 if the military were told to do so.

8 As I say, I may have -- and I was drifting into
9 this second paragraph, if you don't want to --

10 Q Please, go ahead.

11 A Well, I may have mentioned this to Poindexter,
12 but it wasn't the purpose of the meeting. The purpose of
13 the meeting was for me to talk to Poindexter about Nicaragua
14 and how did the NSC see the different facets of this question
15 of Nicaragua. That's what I did discuss with him. I
16 remember saying that I wanted to check out with him my
17 impression of where the NSC was coming from and see if I
18 had it right.

19 Q What did he tell you?

20 A He said, "Yes, you do have it right."

21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED]

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I said, "Thank you. That's what I really wanted to know."

Q Did you ask him what they do intend to do?

A No, I didn't. You know, I felt that I knew that if they didn't intend that -- and I really, this was just sort of clearing the air, I felt that I needed to hear from those guys on that question because I was the military man down in the region and I didn't want things to be going on that I didn't know about.

If anybody was really thinking about something like that, I needed to know it. And he said -- and I said, "I don't believe you are thinking that way at all," and he said, "You're absolutely right; we are not thinking that way."

Q Was there any discussion with Admiral Poindexter concerning the private support that was going on at the time?

A No. Not that I remember. But this --

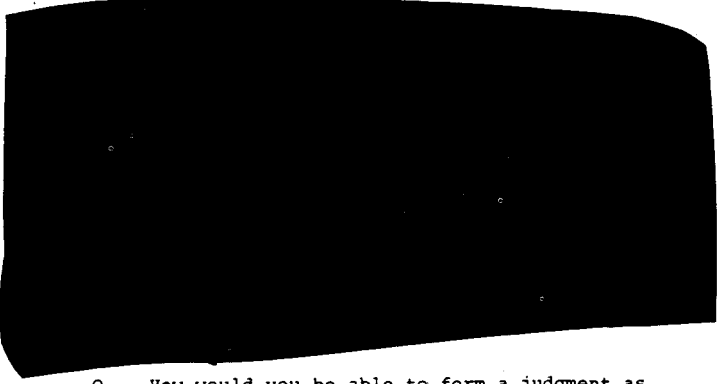
A With Colonel North?

A No. This memo is, to me, kind of a typical North memo in which it implies that a whole lot more is going to happen than was really intended to happen in there.

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9 Q How would you be able to form a judgment as
10 to whether this is a typical North memo if you told us
11 earlier you never got a memo from Ollie North?

12 A I won't say it's a typical North memo; that's
13 probably semantics are not right. I haven't read any of
14 North's earlier memos, but it was typical of Colonel North
15 in that there was always a tendency, as I saw it, to somewhat
16 exaggerate what was going to be discussed or said. There
17 was a certain element of exaggeration which came out often.

18 Q Do you believe that Colonel North was attributing
19 perhaps to you or to General Gorman in paragraph 2 views
20 that may have been his own?

21 A I think so. I don't -- for example, I don't
22 know that Gorman was an active -- I know Gorman very well,
23 and I don't know that he was an active proponent for a greater
24 role for the Special Forces. Gorman never mentioned any of
25 that to me, anyway, and Gorman and I have been in close

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1 cōntact for years. I feel that among the military people,
2 I know him quite well and it doesn't really sound like him.

3 Q Did North express to you his dissatisfaction
4 with the ability of the agency to produce a coherent military
5 strategy?

6 A I think that there was always a question that
7 North felt that the agency couldn't do this job very well,
8 and I tended to agree with North, but then I felt that that
9 got blown out of proportion and I think it is here. In
10 other words, I felt that -- I didn't feel strongly that the
11 agency could not do the job. I felt the agency could do
12 the job, providing they had the right people, and --
13 but I felt that the military could do it better.

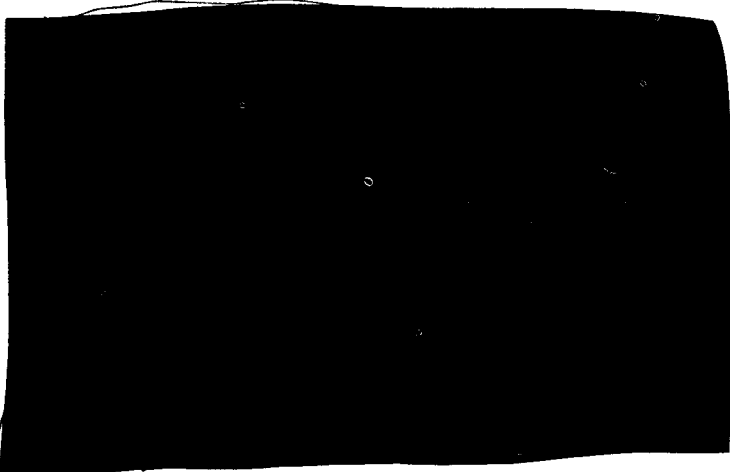
14 I think that that got exaggerated, too.

15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 A [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED]

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11 MR. SAXON: Were there any discussions that
12 you were party to on this topic that would have involved
13 Master Sergeant Hazelwood?

14 THE WITNESS: No.

15 MR. SAXON: Were you aware of any discussions
16 that would have had him going to Costa Rica and working
17 for Ambassador Tambs on missions arranged or directed by
18 Colonel North?

19 THE WITNESS: Ambassador Tambs once asked me for
20 help in getting Hazelwood to, when he finished his tour in
21 El Salvador, to come and work for him in Costa Rica.

22 EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

23 BY MR. SAXON:

24 Q Did he say what he wanted Hazelwood to do for
25 him?

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A He did, and as I recall it now, it was in training of the Royal Guard at Morcielego, which is where we had a training base and we were training at that time Royal Guard. But I'm not really sure of that. What I am sure of is that he said -- he asked me to use my good offices to see if I could get Hazelwood to come over there and I said, "Does Hazelwood really want to do that; he's already spent all this time in El Salvador. I should think he'd want to transfer back to his unit again in the States," and he said, "No, I've discussed it with Hazelwood and he would like to do it."

So I said, "All right, I'll see what I can do."

Q Did the ambassador specifically have a recollection of where he might be assigned in Costa Rica?

A I don't remember now whether we discussed it. I think we did, but I can't remember, but it was something routine. In other words, it was work with the Royal Guard or do something. It wasn't something to do with the contras.

Q General Galvin, returning to the exhibit and the final paragraph of the exhibit, which begins "Finally,"

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1 looking at the second sentence -- second and third sentence,
2 it indicates that "General Galvin is cognizant of the activities
3 underway in both Costa Rica and at [REDACTED] in support of
4 the DRF." And it goes on to state that "General Galvin
5 is enthusiastic about both endeavors."

6 Would you characterize those sentences as
7 correct or not?

8 A I would characterize them as semantically
9 correct in the sense that I was cognizant. It depends on
10 what he means, of course.

11 . Let me answer it this way. North had told me
12 about the airfield and had discussed other matters, [REDACTED]

13 [REDACTED] But I don't know that
14 I was or am today cognizant of all the activities that were
15 going on. But I did know about those.

16 Q Was this a conversation just prior to the meeting
17 with North?

18 A I think it probably was.

19 Q Do you recall the conversation; what North told
20 you about the airfield; his involvement with them?

21 A I remember at one point that North said something
22 like, "Well, we finally have the airfield," but this was
23 in a conversation, I think, in San Jose, where North said,
24 "We finally have the airfield operational," or something
25 like that. "There had been some problem with a contractor and

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1 now we will be able to get supplies to the southern front."

2 Again, I thought that what we were talking about
3 was benefactor supplies, so I probably was enthusiastic.
4 I am an enthusiastic supporter of the contras in the sense
5 that I think they can win.

6 Q Did he convey to you that these supplies would
7 include lethal equipment?

8 A No. No.

9 Q Did he indicate to you who would be actually
10 bringing in these supplies?

11 A No.

12 Q You indicated that earlier that you were not
13 really enthusiastic about [REDACTED]

14 A That's right.

15 Q Did you convey that to Colonel North --

16 A Yes.

17 Q -- because he seems to indicate that, in fact,
18 you were enthusiastic about [REDACTED]

19 A That's right, he does. But in fact, I was the
20 opposite.

21 Q He refers in his last sentence to going to
22 Costa Rica with you after the meeting, which occurred
23 January 16th. Did he accompany you back to Costa Rica after
24 that meeting with Admiral Poindexter?

25 A There was a -- I think that that was the same

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1 date. Ollie North took a vacation; he took leave, and took
2 his wife and was traveling to -- or wanted to get a flight,
3 as I understood it, anyplace where he could get out on a
4 beach and relax for a while. So I said to him, "Why don't
5 you come to Panama? I fly back and forth about three times
6 -- about once every three weeks. I could at least get you
7 in one direction if you went out and signed up because you
8 can go out and sign up for space available and fly on an
9 airplane, and my airplane, because of the times it leaves
10 and everything, is never full. I always take everybody that's
11 available, but it's never full."

12 So, I said, "Why don't you fly down to Panama?"
13 He said, "I'll think about it," and then later, he said,
14 "I don't want to fly to Panama, but Ambassador Tambs has
15 asked me to come down and stay with him." He was friendly
16 with Ambassador Tambs and so I flew him down to Panama. I
17 couldn't stop in Costa Rica. I flew him down to Panama and
18 then he got an airplane ride from Panama -- he got a
19 civilian airplane, you know, an airlines, and flew up to
20 San Jose.

21 MR. SAXON: Do you know about when that would
22 have been, sir?

23 THE WITNESS: I think it was this date that we're
24 talking about here. It must have been right after this
25 because he's saying, "I will be flying with General Galvin

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1 to Costa Rica after the meeting and will return Tuesday
2 morning."

3 This was -- he went down just for a few days;
4 not a long time. He went down for, you know, three or four
5 days' vacation.

6 BY MR. SABA:

7 Q He accompanied you, then, on the return flight
8 to Panama following the meeting with Admiral Poindexter?

9 A I think it was that flight back; yes.

10 Q Do you recall your conversations with him on
11 that flight to Panama concerning the meeting that the memo
12 discusses?

13 A No, I don't recall that. I'm sure we talked
14 all the way down, but I don't recall something about that.

15 Q Did you make any memorandum of your conversations
16 with Colonel North?

17 A No.

18 Q Did he ask you whether Admiral -- was he present
19 in the meeting?

20 A He was present at this meeting.

21 Q He was present at the meeting --

22 A Yes.

23 Q -- with Admiral Poindexter.

24 Did he express any opinion as to how the meeting
25 had gone?

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1 A I don't recall that he did.

2 Q On the return flight, did he discuss the
3 activities [REDACTED] or, in particular, Felix Rodriguez?

4 A I have no -- I have no recall specifically of
5 what we talked about on that flight.

6 MR. SAXON: Did he mention anything that was
7 going on elsewhere in the world, such as Iran?

8 THE WITNESS: You mean on that flight?

9 MR. SAXON: In that time period that we were --
10 was there any opening to Iran; we were thinking of shipping
11 arms to Iran?

12 THE WITNESS: No. Ollie talked to me about
13 things -- and you know, I would see him sometimes and he would
14 say, "I'm going to be making a flight to England. I've got
15 to work the hostage problem." I knew he was working the
16 hostage problem in the Middle East and I was astounded, in
17 fact, to find that the same guy who would be working the
18 benefactor problem in Central America would be working the
19 hostage problem in the Middle East, and a couple of times,
20 I said, "I can't believe the kinds of things they've got you
21 doing. How do you work this and then go over and work the
22 hostage problem in the Middle East?"

23 He said, "Well, I do."

24 I was surprised by a lot of things, but I was
25 definitely surprised by that.

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1 MR. SAXON: But did Iran ever come up?

2 THE WITNESS: No, he didn't ever bring up Iran.

3 When he said "England,"

4

5 And he, a couple of times, said, "I think that I am
6 going to be able to get some hostages freed in the Middle
7 East."

8 BY MR. SABA:

9 Q Did he discuss with you in this time period, or
10 at any other time period, but I think it might well have been
11 in this time period, obtaining HAWK missiles?

12 A No.

13 Q Did the conversation of HAWKS or TOWs arise on
14 that airplane trip or in this period of time?

15 A No. He mentioned several times to me Project
16 Democracy, which I understood was this loose tie-in -- I
17 understood it as a loose umbrella organization for people
18 who wanted to support the contras. And he would say to me,
19 "I'm working an issue today in Project Democracy," or
20 something like that.

21 MR. SABA: I have nothing further on El Salvador.
22 I do have a few questions on Panama.

23 EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

24 BY MR. SAXON:

25 Q Just to follow on this point and make sure that

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1 we've covered this issue, at any point, did Colonel North
2 ever ask you, as an Army officer, about TOW missiles; what
3 they cost; what the pricing of them would be; anything like
4 that?

5 A No, no.

6 Q Did he ever indicate what we might be providing
7 to anyone else to get some of those hostages back?

8 A No.

9 MR. SAXON: Okay, that's all, Joe.

10 EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

11 BY MR. SABA:

12 Q Moving on to Panama, General, I have a few
13 questions.

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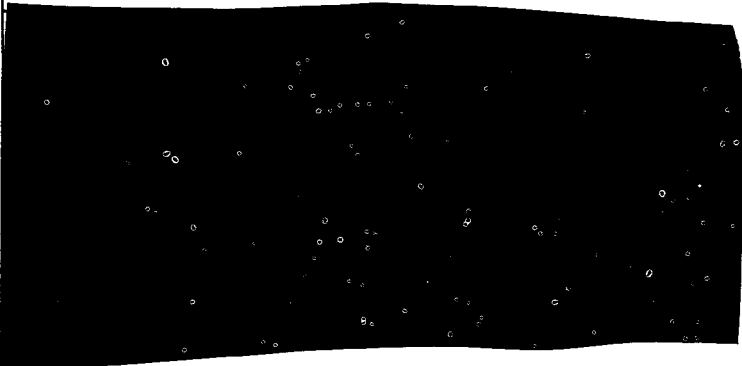
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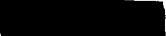
EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

BY MR. SABA:

Q Do you know why, or by what authority, North would exclude you from knowledge 



A No, I don't know precisely why. North excluded me from a lot of things that were going on in my region. The purpose of my knowing North and going to see North was to find out what's going on in Central America because I am the guy militarily responsible through the U.S. Government for whatever happens or fails to happen in Central America from a military point of view.

That's why I went to see North; that's why I went to  all the other people. But North didn't tell me the things I needed to know.

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8 Q Sir, do you have any knowledge of involvement
9 by the government or the Armed Forces of Panama in any
10 way with the resupply effort for the contras?

11 A No.

12 MR. SABA: I don't have further questions on
13 Panama. I have a few standard questions that we ask, but
14 you may have some.

15 EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

16 BY MR. SAXON:
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1 BY MR. SABA:

2 Q General, I have a few questions of a nongeographic
3 nature. Do you know of a Ron Martin?

4 A No.

5 Q Do you know of any weapons warehouse maintained
6 [REDACTED] by a man called Ron Martin?

7 A No. I know of a place [REDACTED] called the
8 Supermarket.

9 Q What do you know of the Supermarket?

10 A The Supermarket, as -- I have never been there or
11 seen it, but I understand that a lot of weapons came in
12 from somewhere overseas [REDACTED] and were stored in
13 a place called the Supermarket, [REDACTED]
14 [REDACTED] in which somebody
15 thought they were going to make some money by reselling these
16 weapons to the contras.

17 The reason I've -- and I've heard often mention
18 of the Supermarket around the embassy [REDACTED] because
19 the ambassador has been directed, and has been adamant that
20 nothing out of the Supermarket will be paid for by the
21 United States. That's where I keep hearing the term.

22 Q Did you hear that those weapons, in fact, were
23 intended for the contras and were seized [REDACTED]

24 A I'm not really sure of the details on it.

25 Q Did you have any knowledge of, or hear talk of

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1 price-gouging on the weapons in which the private suppliers
2 were selling to the --

3 A Yes, I did.

4 Q What did you learn of that?

5 A I heard that the private suppliers [REDACTED]

6 [REDACTED]
7 [REDACTED] were getting some kind of a cut out of
8 selling the weapons to -- or the ammunition or whatever else
9 to the contras and were charging them for trucking the
10 weapons [REDACTED]

11 That's what I -- conversation to that effect,
12 that there was price-gouging going on.

13 Q Do you recall who you would have heard that
14 information from?

15 A It was around the Country Team in the embassy

16 [REDACTED] And the point was always, "We're not going
17 to let this happen; we're not going to be involved in it.
18 We will not be supportive of this in any way."

19 Q Was there any indication that the middlemen
20 involved, the suppliers, were making large profits on the
21 sales?

22 A Yes.

23 Q What was the nature of that talk?

24 A Well, just what you're saying is about what I
25 know about it, that the talk was that middlemen had made

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1 or were trying to make large profits on it.

2 Q By any chance, I may have asked you this, had
3 you met General Singlaub?

4 A I have met him, but only just to say hello.
5 Singlaub has never discussed anything with me.

6 Q So you've not had any discussions with or heard
7 anything from General Singlaub concerning the price of these
8 weapons?

9 A No.

10 Q Do you know, or have you met, Adolfo Calero?

11 A No.

12 Q Arturo Cruz?

13 A No.

14 Q Alfonso Robelo Corlejas?

15 A Robelo, I think I met just once, you know,
16 walking by and someone introduced me and I said hello, but
17 I don't really -- the three men, I don't know at all.

18 Q And Eden Pastora?

19 A No.

20 Q What about Don Gregg?

21 A No.

22 Q You haven't met Mr. Gregg?

23 A I don't think so.

24 MR. SABA: I'd like to review my notes a moment.
25 Do you have some further questions?

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1 EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

2 BY MR. SAXON:

3 Q Let me run through a few things.

4 Were you made aware at any point an outfit called
5 CMA, which stood for Civilian Military Assistance, and
6 later Civilian Materiel Assistance operating out of the
7 south, headed by a gentleman named Tom Posey, which was
8 attempting to provide arms through the private supply
9 operation for the contras?

10 A I've heard references to it, but that's really --
11 about what you've said is about what I know.

12 Q You never met Mr. Posey?

13 A No.

14 Q For the record, I'd like to run through a number
15 of names and ask if you were ever asked or instructed by
16 any of these people to be involved in any way in assisting
17 the facilitating the private supply or private benefactor
18 network.

19 First, President Reagan?

20 A No.

21 Q Mr. McFarlane, when he was the National Security
22 Advisor?

23 A No.

24 Q Admiral Poindexter?

25 A No.

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1 Q Colonel North?
2 A No.
3 Q Ray Burghardt?
4 A No.
5 Q Elliott Abrams?
6 A No.
7 Q Admiral Crowe?
8 A No.
9 Q General Wickham?
10 A No.
11 Q Secretary Weinberger?
12 A No.
13 Q Secretary Armitage?
14 A No.
15 Q Nestor Sanchez?
16 A No.
17 Q General Powell? Colin Powell?
18 A No.
19 Q Director Casey?
20 A No.
21 Q [REDACTED]
22 A No.
23 Q Of those people I've named, can you recall who
24 you transmitted any information upward to with regard to the
25 airstrip in Costa Rica, the private supply operations in

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1 [REDACTED] or any of the things you told us you got knowledge
2 of one way or the other?

3 A No. I didn't make reports about the benefactor
4 flights or any of that. I knew it was going on. I assumed
5 that everybody in the U.S. Government knew it was going on,
6 and I didn't make any reports about it.

7 Q Did you ever have occasion to discuss any of
8 those topics with Nestor Sanchez before he retired from the
9 Pentagon?

10 A I saw a lot of Nestor Sanchez and I'm sure that
11 we touched on those topics because I made contact with him
12 almost every time I came back to the Pentagon and he visited
13 the region often. In terms of anything substantive, I don't
14 remember anything substantive about it, except that we always
15 exchanged information. We coordinated back and forth.

16 Q Is it reasonable to assume that if you had been
17 made aware of the airstrip or the operations [REDACTED]
18 or any of the other matters that you've told us about this
19 morning that you might have passed that on to Mr. Sanchez?

20 A I might have. I might have.

21 Q But you don't specifically recall having done
22 so in those cases?

23 A No.

24 Q I've got a couple more documents to enter in, Joe,
25 if you want to go ahead and do that.

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1 MR. SABA: Why don't you go ahead.

2 I also have some documents, but I think that
3 they're going to be, in that case, identical, so why don't
4 you go ahead.

5 MR. SAXON: Okay.

6 BY MR. SAXON:

7 Q General, do you recall a visit to Central
8 America in late 1985 right after Admiral Poindexter had
9 become the National Security Adviser?

10 A No.

11 MR. SAXON: I want to introduce several
12 documents pertaining to that trip. The first one, which would
13 be marked as deposition exhibit 9 is a memorandum for
14 Admiral Poindexter from Colonel North, dated December 6, 1985.

15 (The following document was marked as
16 JG Exhibit 9 for identification.)

17 COMMITTEE INSERT
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150

1 (Pause.)

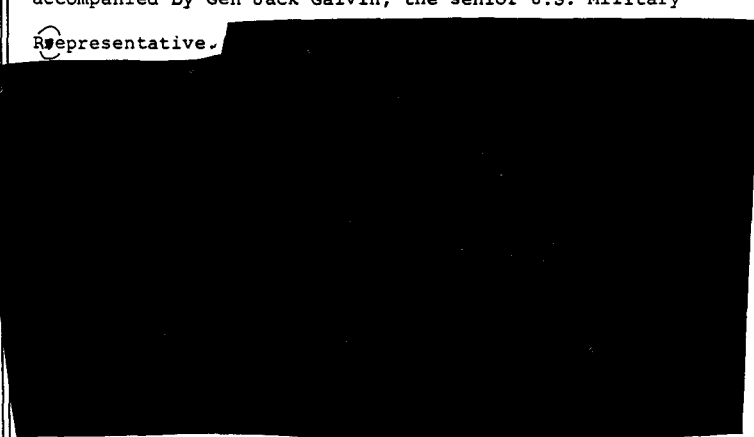
2 MR. SAXON: Have you had a chance to read it
3 yet, sir?

4 THE WITNESS: Yes.

5 BY MR. SAXON:

6 Q I specifically want to direct your attention to
7 approximately the first third of this single paragraph,
8 and that is in which Colonel North is talking about an
9 upcoming trip by Admiral Poindexter to Central America.

10 The third sentence and fourth sentence and I guess
11 the fifth sentence is of interest, and that is, and I
12 quote: "The trip wd be "billed" as a quick tour through
13 the region to confer w/ top ranking U.S. officials to
14 reinforce the continuity of U.S. policy in the region. In
15 each location you wd meet w/ the U.S. Ambassador and be
16 accompanied by Gen Jack Galvin, the senior U.S. Military
17 Representative.

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Page 151

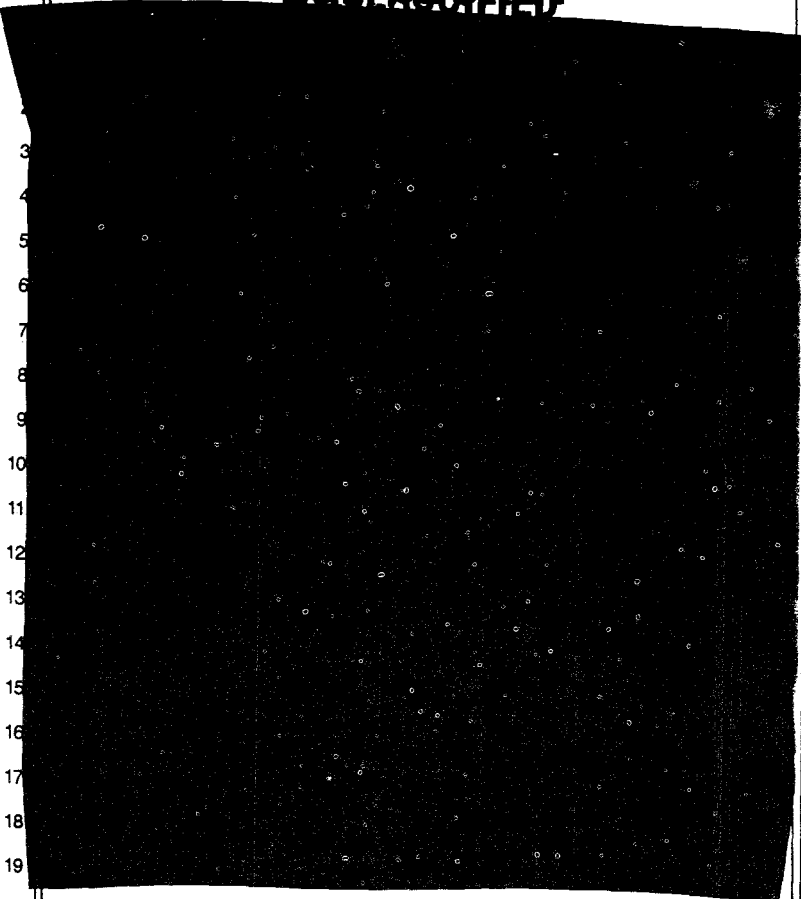
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152



20 Q Let me have you look at a second document in
21 the same time period that purports to relate to the same
22 visit, and have that marked as deposition exhibit 10.

23 (The following document was marked as
24 JG Exhibit 10 for identification.)

25 COMMITTEE INSERT

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1 (Pause.)

2 THE WITNESS: Okay. I think that -- I think
3 that this is the same visit because I don't remember two
4 visits, and I think that what I have here is the plan
5 for the visit, which wasn't entirely followed.

6 [REDACTED]
7 My impression was that

8 Poindexter flew down -- I know for sure that Poindexter
9 flew down. He spent one night; in fact, he stayed with
10 me. We had a discussion. He arrived late in the afternoon;
11 we had a discussion that evening about what he was going
12 to say the following day. I gave him my two cents' worth.
13 He asked me to accompany him. I went down there and then
14 he left and went back.

15 BY MR. SAXON:

16 Q All right, sir, let me ask you a couple of
17 questions based on this document.

18 This is a series of memoranda from Colonel
19 North to Admiral Poindexter in relation to a trip which
20 is being discussed or proposed that Admiral Poindexter
21 make. If you will look three pages into the document,
22 you'll see a memorandum from Colonel North to Admiral
23 Poindexter that's dated December 2nd, 1985.

24 In the first paragraph, he says, second sentence,
25 "The itinerary and substance of your meetings have been

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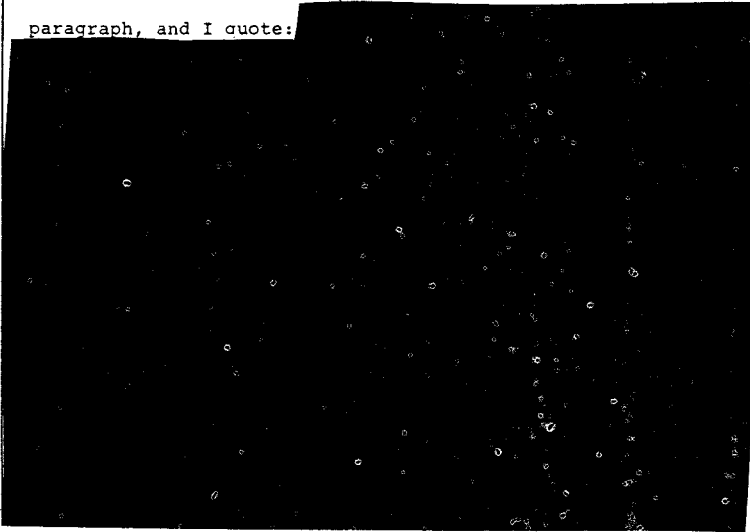
154

1 discussed with State," and he mentions Ambassador Walker,
2 "and SOUTHCOM (General Galvin)."

3 Sir, if you will flip further over to a document
4 bearing the number N 31906, Colonel North likewise says,
5 "Based on discussions with Walker at State and General
6 Galvin, the following detailed itinerary has been proposed
7 for Panama:" and he lists the itinerary.

8 The page I'm particularly interested in is the
9 next, and that is the N 31907, for what it's worth, that's
10 the Senate Select Committee numbering of documents received
11 from the National Security Council. You can see we've
12 received a few.

13 And Colonel North discusses the current situation
14 and objectives for Honduras and states in the first
15 paragraph, and I quote:

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155

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 I want to ask you a couple of questions about
8 these paragraphs, again recognizing that we can't expect
9 you to know everything Colonel North writes to Admiral
10 Poindexter or expect you to agree with it, but the reason
11 I ask these questions, he says that this itinerary, the
12 need for the trip and so forth, has been coordinated with
13 State and Ambassador Walker and in terms of SOUTHCOM with
14 you, sir.
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED]

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~~TOP SECRET~~MARY FERRELL
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Pages 156, 157, 158, and 159

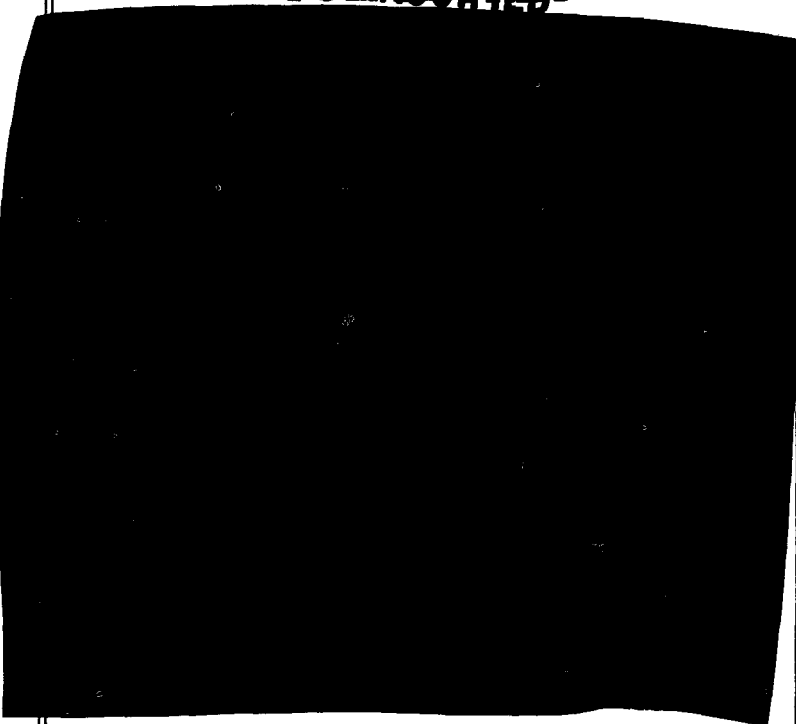
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160



16 BY MR. SAXON:

17 Q General, let me ask you about one more reference
18 in this particular exhibit, deposition exhibit 10. If
19 you'll look further over, you'll see a memorandum dated
20 December 10, 1985, to Admiral Poindexter from Colonel
21 North.

A Uh-huh.

22 Q And it bears the subject "Cable to posts advising
23 of your trip to the Central American Region."
24

25 The first sentence of the memo says, "The cable
attached at Tab I has been coordinated directly to Elliott

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161

1 Abrams, Amb. John Ferch, and General Galvin."

2 If you would then look at the proposed cable --

3 A Uh-huh.

4 Q -- flipping to what I believe is the next-to-last
5 page, N 31912, halfway down the page, under the itinerary
6 and purposes of the meetings, et cetera, at 1330 to 1530,
7 it says, "Mtg at Palmerola w/Amb Ferch Gen Galvin at
8 CTF Bravo. [REDACTED]
9 [REDACTED]
10 [REDACTED]

11 Sir, as far as you know, was this part of the
12 cable coordinated with you by Colonel North?

13 A I don't remember the cable, but I remember
14 the point that comes out through here that this was to be
15 billed as interest in the area and so forth. So I would
16 say this cable did come to me, but I don't remember it
17 specifically.

18 Q I don't know, sir, that this cable was ever
19 even sent. What I'm saying is it was proposed by North
20 to Poindexter, saying, "Here is what we would send," and he
21 says, "He's coordinating the content of it with you."

22 A Yes.

23 Q If you would look down at the entry to the log
24 on that same page for the meetings at 1715 to 1820, "Mtg at
25 La Aurora AB Guatemala City w/Amb Piedra, Gen Galvin, [REDACTED]

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1 POLCONS, and remainder of U.S. team; wd like to meet briefly

2 [REDACTED]
3 [REDACTED]
4 [REDACTED]

5 As far as you know, was this portion of the cable
6 discussed and coordinated with you?

7 A I don't think so. [REDACTED]

8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]

14 BY MR. SAXON:

15 Q Sir, my final document -- and I would ask that
16 this be marked as deposition exhibit 11. That's a copy for
17 you to read and one for the reporter.

18 (The following document was marked as
19 JG Exhibit 11 for identification.)

20 COMMITTEE INSERT

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1 BY MR. SAXON:

2 Q It is a memorandum for Admiral Poindexter from
3 Colonel North, dated September 26, 1986, and the subject
4 is "Meeting with General Jack Galvin, USSOUTHCOM." I'll
5 give you a moment to read that, sir.

6 (Pause.)

7 THE WITNESS: Okay.

8 BY MR. SAXON:

9 Q Sir, if you would direct your attention to the
10 paragraph at the bottom of page 1 under Contra Program -- I
11 should say, by the way, that in the second sentence of the
12 beginning of the memo, Colonel North, in discussing this
13 scheduled meeting between you and Admiral Poindexter says,
14 "GEN Galvin wants to raise with you several issues of immediate
15 concern:" -- first is El Salvador funding, and then the
16 contra program.

17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 Let me ask you first, sir, if that's correct
22 and what you can tell us about that.

23 A Yes, that's correct in what it says, that after
24 the -- after I made my statement about how I felt the military
25 should run the thing, then we all waited to see how it was


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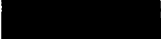

164

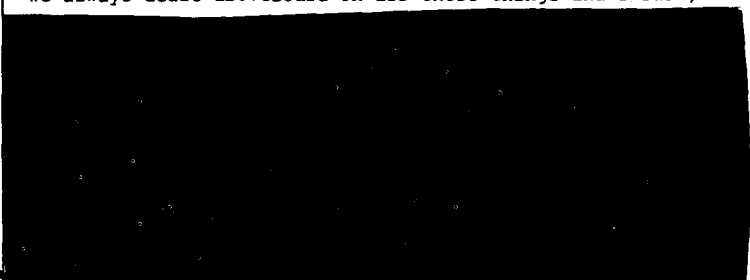
1 going to come out.

2 By September, it was clear that in no way was
3 the military, U.S. military, going to run this, and so
4 at some time in there, August, September, maybe earlier than
5 that, maybe July, I went to the JCS and talked to the
6 Defense Department




7
8
9
10
11 This was initially brought up and you saw it
12 in a memorandum that we discussed earlier today by


13  He -- at one point, I told  I said -- because
14 we always dealt aboveboard on all these things and I said,



15
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17
18
19 and I outlined the position.

20 He said, "Well, that's your position."

21
22
23 Later, he said to me, "What you say is to some
24 degree true, 



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[REDACTED] In
terms of SOUTHCOM being aware of what the contras were
doing and carefully following the intelligence and so forth,
that was in the loop. But in terms of our supporting them
in any way, we were not supporting them.

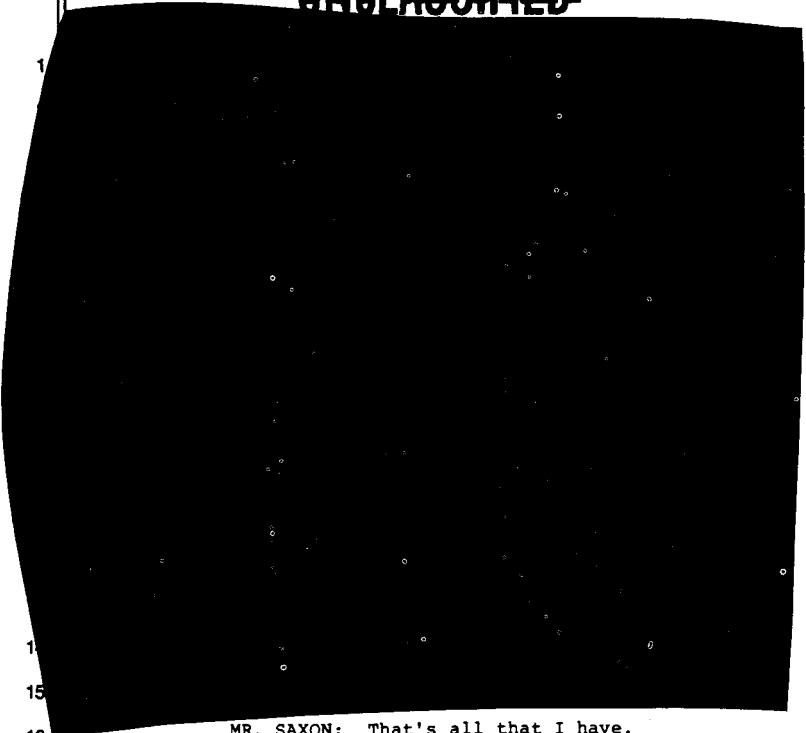
As you know now, to some degree, we are. In
other words, the same intelligence that I'm getting out
of the cage down at SOUTHCOM is going over to Langley and
so forth. [REDACTED]

[REDACTED]

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15
16 MR. SAXON: That's all that I have.

17 THE WITNESS: Okay.

18 MR. SABA: General, that's all that I have and
19 on behalf of the House Committee, and I believe the Senate
20 Committee, as well, we wish to thank you for coming here
21 today in what we know is a tight schedule. You came here
22 voluntarily and it is a Saturday and we appreciate your
23 taking the time. We appreciate your candor and your
24 assistance in this investigation.

25 MR. SAXON: If I can simply say for the Senate,

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1 I concur, and you allowed us to throw our questions at you
2 for well over four hours. We appreciate that very much.
3 We wish you well in Europe.

4 THE WITNESS: Okay. It's a pleasure to come
5 and see you.

6 MR. SABA: Good luck, sir.

7 (Whereupon, at 1:15 p.m., the deposition was
8 concluded.)
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Exhibits JG-1, JG-1A to JG-1I

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10 Pages

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Exhibit JG-2

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Partially Declassified on July 1, 2017
 under Executive Order 13526
 By E. Rupp, National Security Council

THE WHITE HOUSE
 WASHINGTON

NO DATE

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N 6694

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN M. POINDEXTER

SUBJECT: Special Mission and Letters to the Presidents of El Salvador and Honduras

Issue

How best to reassure Presidents Napoleon Duarte of El Salvador and Jose Azcona of Honduras of our resolve and commitment.

Background

After the negative vote on military assistance in April 1985, the Honduran Government reacted [REDACTED]

In El Salvador, President Duarte was severely criticized by his political left for supporting the U.S. proposal.

Today's House vote against additional assistance to the Nicaraguan democratic resistance is liable to have the same effect, unless steps are taken to reassure both Presidents.

[REDACTED] A trip by a high-level delegation will help to reassure them (and their military) of our determination to succeed in aiding the resistance and in ensuring their security. Letters to both Presidents (Tabs A and B) address specific concerns raised in discussions with our embassies this afternoon.

Discussion

→ As a result of the National Security Planning Group meeting this afternoon, it was decided to dispatch Assistant Secretary Elliott Abrams, General Jack Calvin (USSOUTHCOM), and a team of specialist to the region. The visit by the team and the letters at Tabs A and B will assure the Governments of El Salvador and

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N 6695

→ Honduras that regardless of today's vote, you, personally, and the Administration are determined that the Nicaraguan resistance will receive the support they deserve. In Honduras, we are prepared to provide expedited and, if necessary, enhanced security assistance to deal with their border problem. We are also prepared to release a portion of the \$100M in Honduran ESF which has been withheld pending internal economic reforms. The visit to El Salvador and your letter to President Duarte are more symbolic but, nonetheless, essential.

RecommendationOKNo

_____ That you sign the letters at Tabs A and B.

Prepared by:
Oliver L. North

Attachments

Tab A - Letter to Duarte

Tab B - Letter to Azcona

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Exhibit JG-4

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N 6696

3/21/86
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TO AMEMBASSY TEGUCIGALPA
AMEMBASSY SAN SALVADOR
AMEMBASSY SAN JOSE

INFO SECSTATE WASH DC

SECRET EKD:5 WHO:500

EKD:5
SUBJECT: PRESIDENTIAL MISSION

REF. STATE 7244

1. SECRET - ENTIRE TEXT

2. THE FOLLOWING IS THE REVISED ITINERARY FOR THE ABRAMS/NORTH
TRIP. CHANGES WERE MADE BASED ON PHONE CALLS THROUGHOUT THE
REGION

(ALL TIMES LOCAL)

0700 DEPART ANDREWS AFB
1030 ARRIVE TEGUCIGALPA, MONDURAS
1230 DEPART TEGUCIGALPA
1325 ARRIVE ILOPONGO, EL SALVADOR
1530 DEPART ILOPONGO
1845 ARRIVE SAN JOSE, COSTA RICA
1815 DEPART SAN JOSE
0145 ARRIVE ANDREWS AFB

3. THE TRAVELING PARTY CONSISTS OF ABRAMS, NORTH, [REDACTED] AND
WALKER. GEN. GALVIN WILL JOIN THE PARTY IN TEGUCIGALPA FOR THE
REMAINDER OF THE TRIP.

DECL: OADR
BT

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under provisions of E.O. 12958
by 2 Reagan National Security

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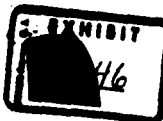
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*Exhibit
JC-5*



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MEMORANDUM FOR: The Director of Intelligence and Research
Director, Defense Intelligence Agency
Director, National Security Agency
Special Assistant to the President for
National Security Affairs
National Security Council

3699

SUBJECT: Nicaragua: Plans for Improvement of UNO/FDN Aerial
Resupply Capability

THIS IS AN INFORMATION REPORT, NOT FINALLY EVALUATED INTELLIGENCE

1. The following information was received

2. As of early November 1985, the Unified Nicaraguan
Opposition/Nicaraguan Democratic Force (UNO/FDN) was still working
on plans to improve its ability to resupply UNO/FDN units operating
inside Nicaragua. UNO/FDN had been expecting the arrival in October
of two C-7A Caribou aircraft to fill this requirement, but problems
in obtaining the two aircraft have delayed their arrival
indefinitely. (Headquarters Comm. [redacted] dated 1
October [redacted], provided information on the planned
acquisition of the C-7A aircraft.) Working through private
supporters in the United States, UNO/FDN has obtained a similar
contract for the rental of two C-123 "Provider" transport aircraft
and crews, which are expected to arrive [redacted] in November.

The contract calls for the two aircraft to

DECL: OADR DRV HUM 4-82 BY [redacted] ALL PORTIONS/CARRY
CLASSIFICATION AND CONTROLS OF OVERALL DOCUMENT.

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under provisions of E.O. 12356

By S. Roger, National Security Council

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UNO/FDN

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fly a combined total of [redacted] hours per month for a duration of six months. The contractor will supply pilots, crews, and mechanics; normal maintenance will be performed outside [redacted]. The two C-123 aircraft will be stationed [redacted].

The six-month contract cost US\$450,000.

3. As was the case with the C-7A aircraft, the pilots and crews may be U.S. citizens, but if so, they will not be identified as such. They, and all other personnel associated with the project, will be confined [redacted] or to any other remote airfield where they may operate. UNO/PDN has in stock two night vision devices which will be issued to the C-123 pilots for their night-time missions.

4. [redacted] Comment: Finding a way to resupply its units deep inside Nicaragua remains a top UNO/PDN priority, and the delay in the arrival of the C-7A's was a setback. The C-123 "Provider" is an even better aircraft for the job at hand, and the [redacted] hours contracted for should go a long way toward solving the resupply problem. At present, UNO/PDN is contracting on a sporadic basis a civilian DC-6 [redacted] to make night drops to UNO/PDN units in Nicaragua at a cost of US\$15,000 per night. This aircraft does not have the most up-to-date navigational equipment, nor does its crew appear to have much experience in aerial resupply operations. The standard C-123 "Provider" can carry about 8,000 pounds of cargo and fly at a normal speed of 200 miles per hour.)

5. This information is being made available to the U.S. Ambassadors [redacted] and to the Commander in Chief, U.S. Southern Command. No further distribution is being made.

Chair E. George
Deputy Director for Operations

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10/28/81
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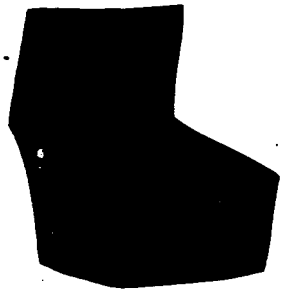
SUBJECT: Nicaragua: Plans for Improvement of UNO/FDM Aerial Resupply Capability

(13 November 1985)

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UNCLASSIFIEDNATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506*Galvin*
CIVIL
15 JAN 86
6396**ACTION**

January 15, 1986

307

MEMORANDUM FOR JOHN M. POINDEXTER**FROM:****OLIVER L. NORTON**

H 30632

SUBJECT:**Meeting with General Jack Galvin, USSOUTHCOM**

You are scheduled to meet with General Jack Galvin on Thursday, January 16 from 10:30-11:00 a.m. General Galvin has some specific recommendations on future plans for more effective support to the Democratic Resistance Forces (DRF) in Nicaragua. In this regard, Elliott Abrahms advised today that Senator Dole is drafting a bill which will provide overt military support for the DRF. He reportedly has Senators Lugar, Bumpers, and Boren as co-sponsors and Senator Sam Nunn is considering whether or not to "sign-on."

General Gorman was and is an active proponent of a greater role for the Special Forces in training/advising both the Salvadoran military the DRF. General Galvin shares this belief. Both remain convinced that the CIA lacks the military expertise necessary to adequately train and advise the DRF in an appropriate strategy or even the proper tactics. Their concern is not unfounded. To this date, the CIA has been unable to produce a coherent military strategy, the tactics to support such a strategy, or to adequately train the force to accomplish either. Admittedly, some of the problem is because of our "on again-off again" Congressional restrictions. But, no small part of the problem is a lack of expertise in the paramilitary side of the CIA operations directorate.

Finally, General Galvin has asked that you agree to periodic (about once a month) meetings with you to discuss sensitive issues. You should be aware that General Galvin is cognizant of the activities underway in both Costa Rica and at [redacted] in support of the DRF. General Galvin is enthusiastic about both endeavors. I will be flying with General Galvin to Costa Rica after the meeting with a return Tuesday morning.

RECOMMENDATION

That you review the points above prior to your meeting.

Approve

Disapprove

SECRET

Declassify: OADR

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Partially Declassified/Released on 29 Jan 86
under provisions of E.O. 12356
by K. Johnson, National Security Council

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Exhibit 56-8

Exhibit 567

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6 Dec 85
N 9165THE WHITE HOUSE
WASHINGTONSECRET

December 6, 1985

MEMORANDUM FOR JOHN M. POINDEXTER

FROM: OLIVER NORTH

SUBJECT: PRIVATE BLANK CHECK

Re yr trip to Central America IAW yr instructions, Elliott Abrahams was approached re his views on yr travelling thru CENTAM next week. Elliot has responded that he believes such a trip to both necessary and urgent. The trip wd be "billed" as a quick tour through the region to confer w/ top ranking U.S. officials to reinforce the continuity of U.S. policy in the region. In each location you wd meet w/ the U.S. Ambassador and be accompanied by Gen Jack Galvin, the senior U.S. Military Representative. This approach will provide a plausible cover for delivering the messages we need sent [redacted], both of whom will want to congratulate you on your new post. Since you are making a "whirlwind" trip to the region to see U.S. officials, not host governments (we do need to commit to such a visit at some date in the future -- after the installation of the newly elected governments in Costa Rica, Honduras, and Guatemala in January) it will make sense that you do not see heads of state or political leaders on this visit. After the trip we wd background that the purpose of your first "secret" trip was to meet privately w/ U.S. Officials re the steadfastness of the President's policy, that even though our approach was very closely identified w/ RCM, yr ascendancy connotes no change and that the region was so important that you went there first and will return at a later date to meet w/ the new democratically elected leaders. Elliott shares the belief that this will have salutary effect on our friends in the region, the Congress and our adversaries for this to "come out" after you return. Privately, it will help to ensure that those engaged in the process back here recognize your stature as the new National Security Advisor. In short it helps all around.

SECRETPartially Declassified/Released on 30 July 1987
under provisions of E.O. 12356
by B. Reger, National Security Council**UNCLASSIFIED**

(3176)

MARY FERRELL
FOUNDATION

UNCLASSIFIEDNATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20504

December 10, 1985

10 Dec 85
SYSTEM II
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Add-on

070

ACTION

MEMORANDUM FOR JOHN M. POINDEXTER

FROM: OLIVER L. NORTH

SUBJECT: Trip to the Central America Region

N 31899

Attached at Tab I is a NSC Staff Travel Authorization Sheet for a proposed trip to the Central American region headed by VADM Poindexter on December 11-12, 1985.

Participants:

VADM John M. Poindexter
Asst Sec of State Elliott Abrams
Dep Asst Sec of State William Walker
Mr. [REDACTED]

LTCOL Oliver North
G. Philip Hughes

General Itinerary:

Depart	6:30 p.m., Wed, Dec 11	Andrews AFB
Arrive	11:00 p.m.	Howard AFB, Panama (Remain Overnight)
Depart	9:00 a.m., Thurs, Dec 12	Howard AFB, Panama
	(save one hour enroute - change of time zone)	
Arrive	9:00 a.m.	San Jose, Costa Rica
Depart	10:30 a.m.	San Jose, Costa Rica
Arrive	11:40 a.m.	Ilopongo AB, El Salvador
Depart	1:00 p.m.	Ilopongo AB, El Salvador
Arrive	1:30 p.m.	Palmerola AB, Honduras
Depart	3:30 p.m.	Palmerola AB, Honduras
Arrive	5:15 p.m.	La Aurora AB, Guatemala Cit
	(gain one hour enroute - change of time zone)	
Depart	6:30 p.m.	La Aurora AB, Guatemala Cit
Arrive	12:00 midnight	Andrews AFB

NSC will defray expenses for North and Hughes' travel. Travel will be by military aircraft. Trip has been verbally approved by Poindexter.

RECOMMENDATION

That you authorize Rick Benner to cut the appropriate travel orders for both North and Hughes.

Approve _____

Disapprove _____

OLAA-OF-6045
ADG 4/16

Attachment

Tab I - NSC Staff Travel Authorization Sheet

~~SECRET~~
Declassify: OADR

UNCLASSIFIED

cc: Phil Hughes

Partially Declassified Pursuant to E.O. 11652

Declassify on: E.O. 11652

By: [REDACTED], National Security Council

MARY FERRELL
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UNCLASSIFIED

DATE: Dec 10, 1988

1. TRAVELER'S NAME: James Hall and G. Philip Hughes
2. PURPOSE(S), EVENT(S), DATE(S): To accompany VADM Poindexter on brief, low-profile trip to Central American region to confer with top ranking U.S. officials and to reinforce the continuity of U.S. policy in the region. (see cover memo for itinerary)

N 31900

3. ITINERARY (Please Attach Copy of Proposed Itinerary): see cover

DEPARTURE DATE Wed, Dec 11 RETURN DATE Thurs, Dec 12TIME 6:30 p.m.TIME 12:00 midnight

4. MODE OF TRANSPORTATION:

GOV AIR XX COMMERCIAL AIR POV RAIL OTHER

5. ESTIMATED EXPENSES:

TRANSPORTATION PER DIEM XX OTHER TOTAL TRIP COST

6. WHO PAYS EXPENSES: NSC XX OTHER

7. IF NOT NSC, DESCRIBE SOURCE AND ARRANGEMENTS: N/A

8. WILL FAMILY MEMBER ACCOMPANY YOU: YES NO XX

9. IF SO, WHO PAYS FOR FAMILY MEMBER (If Travel Not Paid by Traveler Describe Source and Arrangements): N/A

10. TRAVEL ADVANCE REQUESTED: \$ 0.00

11. REMARKS (Use This Space to Indicate Any Additional Items You Would Like to Appear on Your Travel Orders):

12. TRAVELER'S SIGNATURE: James Hall for

MARY FERRELL
FOUNDATION

UNCLASSIFIED

NATIONAL SECURITY COUNCIL
WASHINGTON, DC 20508SYSTEM II
91229*Honduras*
Central
America

December 2, 1985

~~SECRET~~ACTION

N 31901

MEMORANDUM FOR JOHN M. POINDEXTER

FROM: OLIVER L. NORTH

SUBJECT: Trip to Panama and Honduras

Based on your guidance, arrangements have been made for you to meet with [REDACTED] (Dec 5). The itinerary and substance of your meetings have been discussed with State (DASS Bill Walker) and SOUTHCOM (General Galvin).

Attached at Tab I is a NSC Staff Travel Authorization Sheet for a proposed trip to Panama and Honduras on December 4-5, 1985.

Participants:

ADM John M. Poindexter
Mr. Richard Armitage
Mr. William Walker
Mr. [REDACTED]

LTCOL Oliver North
Mr. Raymond Burghardt

General Itinerary (details at Tabs III and IV):

Depart	2:30 p.m., Wed, Dec 4	Andrews AFB
Arrive	7:35 p.m.	Howard AFB, Panama (Remain Overnight)
Depart	9:00 a.m., Thurs, Dec 5	Howard AFB, Panama
Arrive	9:50 a.m.	Palmerola AB, Honduras
Depart	2:00 p.m., Thurs, Dec 5	Palmerola AB, Honduras
Arrive	7:10 p.m.	Andrews AFB

NSC will defray expenses for North and Burghardt's travel.

Attached at Tab II is a memo from you to Don Regan requesting a Special Air Mission (SAM) support for this trip.

Tabs III and IV provide an overview of the situation and the objectives we hope to achieve in Panama and Honduras, respectively. Detailed talking points for your use during the trip will be provided separately.

State (Walker), Defense (Armitage), CIA [REDACTED] and Ray Burghardt concur. ^{not available}

Partially Declassified/Released on 3/24/95
under provisions of E.O. 13526
by B. Reiter, et al.

MARY FERRELL
FOUNDATION

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UNCLASSIFIED
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N 31902

RECOMMENDATIONS

1. That you authorize Rick Benner to cut the appropriate travel orders for North and Burghardt.

Approve _____ Disapprove _____

2. That you initial and forward the memo at Tab II to Don Regan requesting SAM support for the trip.

Approve _____ Disapprove _____

3. That you review Tabs III and IV prior to the trip.

Approve _____ Disapprove _____

cc: Rick Benner (w/o Tabs II, III, and IV)

Attachments

- Tab I - NSC Staff Travel Authorization Sheet
- Tab II - Poindexter Memo to Regan
- Tab III - Current Situation and our Objectives for Panama
- Tab IV - Current Situation and our Objectives for Honduras

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DATE: Dec 2, 1985

1. TRAVELER'S NAME: James Nathaniel Burghardt
2. PURPOSE(S), EVENT(S), DATE(S): For official meetings in Panama and Honduras December 4-5, 1985.
- # 31903
3. ITINERARY (Please Attach Copy of Proposed Itinerary): see memo SYSTEM II 9

DEPARTURE DATE Wed, Dec 4 RETURN DATE Thurs, Dec 5
 TIME 2:30 p.m. TIME 7:10 p.m.

4. MODE OF TRANSPORTATION:
 GOV AIR XX COMMERCIAL AIR POV RAIL OTHER
5. ESTIMATED EXPENSES:
 TRANSPORTATION PER DIEM XX OTHER TOTAL TRIP COST \$252.00
 (\$126.00 per diem for
6. WHO PAYS EXPENSES: NSC XX OTHER
7. IF NOT NSC, DESCRIBE SOURCE AND ARRANGEMENTS: N/A
8. WILL FAMILY MEMBER ACCOMPANY YOU: YES NO XX
9. IF SO, WHO PAYS FOR FAMILY MEMBER (If Travel Not Paid by Traveler, Describe Source and Arrangements): N/A
10. TRAVEL ADVANCE REQUESTED: \$ 0.00
11. REMARKS (Use This Space to Indicate Any Additional Items You Would Like to Appear on Your Travel Orders):

TRAVELER'S SIGNATURE: Jawn Hall for13. APPROVALS: UNCLASSIFIED

MARY FERRELL
 FOUNDATION

UNCLASSIFIEDTHE WHITE HOUSE
WASHINGTONSYSTEM 1:
91229~~CONFIDENTIAL~~

N 31904

MEMORANDUM FOR DONALD T. REGAN

FROM: JOHN M. POINDEXTER

SUBJECT: Special Air Mission (SAM) Support

It is requested that a SAM C-20 aircraft be provided for a proposed trip to Panama and Honduras on December 4-5, 1985. The purpose of the trip is to review the current situation in Central America with key government officials in these two countries. The itinerary for the trip is indicated below:

Proposed Itinerary:

Depart	2:30 p.m., Wed, Dec 4	Andrews AFB
Arrive	7:35 p.m.	Howard AFB, Panama (Remain Overnight)
Depart	9:00 a.m., Thurs, Dec 5	Howard AFB, Panama
Arrive	9:50 a.m.	Palmerola AB, Honduras
Depart	2:00 p.m., Thurs, Dec 5	Palmerola AB, Honduras
Arrive	7:10 p.m.	Andrews AFB

cc: The Honorable Richard P. Riley
Assistant to the President and
Director of Special Support Services

Partially Declassified Released on 30 July 87
under provisions of E.O. 12356
by D. Reger, National Security Council

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4/25/87

N 31905

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N 31906

Based on discussions with Walker at State and General Galvin, the following detailed itinerary has been proposed for Panama:

Wednesday, December 4, 1985:

1935: Arrive Howard AFB, Panama; proceed to USAF Hdqtrs.
 1940 - 2010: 30 minute briefing w/General Galvin at USAF Hdqtrs.
 2010 - 2030: Proceed via USSOUTHCOM auto to SOUTHCOM Hdqtrs.
 2030 - 2100: [REDACTED] attendees: Poindexter, Galvin, Walker
 2115 - 2200: Recap briefing at CG, USSOUTHCOM residence w/U.S. team and General Galvin
 2200 - morn: Poindexter RON at Qtrs 1 w/General Galvin; remainder of U.S. team RON at Casa Carribe

Thursday, December 5, 1985

0700 - 0730: Breakfast (Qtrs 1 and Casa Carribe)
 0730 - 0745: Proceed to USSOUTHCOM Op Ctr
 0745 - 0845: USSOUTHCOM regional security briefing
 0845 - 0900: Proceed to Howard AFB, Panama
 0905 - 0950: Enroute to Honduras via C-20

Released on 30 July 87
 to [REDACTED] E.O. 12356
 by [REDACTED] Security Council

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N 31907

CURRENT SITUATION/OBJECTIVES FOR HONDURASThursday, December 5, 1985

- 0950: Arrive Palmerola Air Base, Honduras (save one hour enroute -- 1 hour and 50 minute flight)
- 1000 - 1215: Discussions with [REDACTED] attendees: Poindexter, U.S. team, and Amb Ferch
- 1215 - 1315: Working lunch at CTF Bravo (U.S. military exercise hdqtrs)
- 1315 - 1400: Options:
- A - [REDACTED]
- B - Country team briefing by AmEmb Tegucigalpa
- 1400 - 1910: Enroute from Palmerola Air Base to Andrews AFB

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Partially Declassified/Released on 30 July 81

UNCLASSIFIEDNATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20504SYSTEM ::
91229

31908

*Central
America*

December 10, 1985

~~SECRET~~ACTION

MEMORANDUM FOR JOHN M. POINDEXTER

FROM: OLIVER L. NORTH

SUBJECT: Cable to Posts Advising of Your Trip to the
Central America Region

The cable attached at Tab I has been coordinated directly with Elliott Abrams, Amb John Ferch, and General Galvin. Please note once we arrive in Panama aboard C-20 we will be using General Galvin's C-9 in-theater. This will allow sufficient rest for your aircrew and provide more space for traveling team in-theater. Paul Thompson has coordinated aircraft support and exchange of aircraft.

RECOMMENDATION

That you authorize dispatch of the cable at Tab I
(Op Immed via [redacted] channel).

Approve _____

Disapprove _____

Attachment

Tab I - Poindexter Cable to Central American Posts

cc: Paul Thompson
Philip Hughes

Partially Declassified / Released on 30 July 87
under provisions of E.O. 12356
by B. Reger, National Security Council

~~SECRET~~

Declassify on: OADR

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FM: WHITE HOUSE

N 31909

TO: AM EMB PANAMA CITY, PANAMA
 AM EMB SAN JOSE, COSTA RICA
 AM EMB SAN SALVADOR, EL SALVADOR
 AM EMB TEGUCIGALPA, HONDURAS
 AM EMB GUATEMALA CITY, GUATEMALA
 USCINCSO, QUARRY HTS, PANAMA

INFO: SEC STATE, WASH, D.C.
 SEC DEF, WASH, D.C.
 DIR. CIA, WASH, D.C.
 CHMN. JCS, WASH, D.C.

S E C R E T //EYES ONLY

SUBJ: VISIT TO CENTRAL AMERICA BY ASST. TO PRESIDENT FOR
 NATIONAL SECURITY AFFAIRS, DESIG. JOHN M. POINDEXTER (C)

1. SECRET--ENTIRE TEXT.

2. THE PRESIDENT HAS ASKED THE NEW NATIONAL SECURITY ADVISOR,
 VADM JOHN M. POINDEXTER, TO MAKE A HASTY, LOW-PROFILE TRIP TO
 CENTRAL AMERICA TO CONFER WITH TOP RANKING U.S. OFFICIALS AND TO
 REINFORCE THE CONTINUITY OF U.S. POLICY IN THE REGION. IN EACH

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LOCATION THE NATIONAL SECURITY ADVISOR WOULD LIKE TO MEET WITH THE U.S. AMBASSADOR, [REDACTED] AND SENIOR U.S. MILITARY REPRESENTATIVES. INVITATION OF CINC U.S. SOUTHERN COMMAND, GENERAL GALVIN, FOR USE OF HIS AIRCRAFT IN-THEATER IS GRATEFULLY ACCEPTED. WASHINGTON BASED C-20 WILL PROCEED TO GUATEMALA TO RENDEZVOUS WITH WASHINGTON PARTY. N 31910

3. PURPOSE OF THE TRIP IS TO MEET WITH U.S. OFFICIALS NOT REPEAT NOT WITH HOST GOVERNMENTS. PLEASE EMPHASIZE WITH HOST GOVERNMENTS THAT NATIONAL SECURITY ADVISOR INTENDS THAT THIS BRIEF, INFORMAL FAMILIARIZATION TRIP WILL BE FOLLOWED AT A FUTURE DATE BY A LONGER VISIT WHICH WILL ALLOW MEETINGS WITH REGIONAL HEADS OF STATE AND ADDITIONAL HOST GOVERNMENT OFFICIALS. AMBASSADORS SHOULD STRESS THAT THIS SECOND VISIT WILL PROBABLY OCCUR AFTER INSTALLATION/INAUGURATION OF NEWLY ELECTED PRESIDENTS IN COSTA RICA, HONDURAS, AND GUATEMALA.

4. WASHINGTON PARTY WILL ARRIVE VIA SAM C-20 AND CONSIST OF:
 VADM JOHN POINDEXTER, DESIG. NATIONAL SECURITY ADVISOR TO PRES
 ASST SEC OF STATE ELLIOTT ABRAMS
 DEP ASST SEC OF STATE WILLIAM WALKER
 MR. [REDACTED]
 LTCOL OLIVER NORTH, NSC STAFF
 G. PHILIP HUGHES, NSC STAFF
 CDR PAUL THOMPSON, MIL ASST TO NATIONAL SECURITY ADVISOR
 2 WHCA COMMUNICATORS

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N 31911

5. NATIONAL SECURITY ADVISOR WOULD LIKE TO BRIEFLY VISIT HOST NATION AND U.S. MILITARY UNITS IN THE REGION AND INFORMALLY MEET WITH CERTAIN KEY OFFICIALS INVOLVED IN AIDING THE IMPLEMENTATION OF U.S. POLICY IN THE REGION AS INDICATED BELOW. WASHINGTON PARTY WILL BE INFORMALLY ATTIRED SINCE MOST STOPS WILL OCCUR AT MILITARY INSTALLATIONS. ITINERARY IS PLANNED AS FOLLOWS:

WEDNESDAY, DECEMBER 11, 1985

1830 DEPART ANDREWS AFB
 2300 ARRIVE HOWARD AFB PANAMA
 (RON QTRS 1 U.S. CINCSO, GEN GALVIN)

THURSDAY, DECEMBER 12, 1985

0730 BREAKFAST AT QTRS 1
 0800 DEPART FOR VIP LOUNGE, HOWARD AFB
 0830-0900 WD LIKE TO MEET PRIVATELY IN VIP LOUNGE AT HOWARD AFB
 [REDACTED] AMB BRIGGS, GEN GALVIN, ASST SEC ABRAMS
 IF AT ALL POSSIBLE.
 0900 WHEELS UP FOR SAN JOSE, COSTA RICA
 (SAVE ONE HOUR ENROUTE - CHANGE OF TIME ZONE)
 0900-1030 WD PREFER MTG AT CARIARI HOTEL OR AIRPORT W/AMB TAMBS,
 [REDACTED] GEN GALVIN, AND REMAINDER OF U.S. TEAM FOLLOWED BY
 [REDACTED]

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N 31912

THURSDAY, DECEMBER 12, 1985 (CONT'D...)

1030 WHEELS UP FOR ILOPONGO AB EL SALVAADOR

1140-1300 MTG AT ILOPONGO W/AMB ED CORR, GEN GALVIN, COL STEELE, AND MILGP CHIEF, AND [REDACTED] WD LIKE TO MEET BRIEFLY W/DEF MIN VIDES AND GEN BLANDON AND BRIEFLY INSPECT AIR FORCE/COUNTER-INSURGENCY ASSETS. BRIEF RE CURRENT OPERATIONS AND DISCUSSION OF COUNTER-TERRORISM PROGRAM WD BE HELPFUL.

1300 WHEELS UP FOR PALMEROLA AB HONDURAS

1330-1530 MTG AT PALMEROLA W/AMB JOHN FERCH, [REDACTED] GEN GALVIN AT CTF BRAVO. WD ALSO LIKE TO HAVE OPPORTUNITY FOR PRIVATE REPEAT PRIVATE MTG [REDACTED]

1530 WHEELS UP FOR LA AURORA AB GUATEMALA CITY
(GAIN ONE HOUR - CHANGE OF TIME ZONE)

1715-1820 MTG AT LA AURORA AB GUATEMALA CITY W/AMB PIEDRA, GEN GALVIN, [REDACTED] POLCONS, AND REMAINDER OF U.S. TEAM; WD LIKE TO MEET BRIEFLY [REDACTED]

[REDACTED] DISCUSSION OF
COUNTER-TERRORISM PROGRAM WD ALSO BE HELPFUL.

1830 WHEELS UP FOR ANDREWS AFB

2400 ARRIVE ANDREWS AFB

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N 31913

6. WASHINGTON PARTY REQUESTS ASSISTANCE RE VISAS AND CUSTOMS
CLEARANCE IN THAT TIME HAS NOT PERMITTED NORMAL VISA PROCESSING.
REGARDS, POINDEXTER.

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MARY FERRELL
FOUNDATION

UNCLASSIFIEDNATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20505

SYSTEM 11

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90672

September 26, 1986

280

H 32092

~~SECRET~~ACTION

MEMORANDUM FOR JOHN M. POINDEXTER

FROM: OLIVER L. NORTH

SUBJECT: Meeting with General Jack Galvin, USSOUTHCOM

You are scheduled to meet with GEN Galvin on Monday, September 29, at 3:30 p.m. GEN Galvin wants to raise with you several issues of immediate concern:

- El Salvador Funding. The House mark on Military Assistance to El Salvador reduced the Administration's request from \$140M to \$111M. Funding at this level will not allow the Salvadoran army to maintain its vital civic action program or to sustain the National Campaign Plan. We have been hoping for Senate action which would bring the level back closer to \$130-135M and then Conference action, which would leave us at approximately that level. GEN Galvin has concerns that our attention to the Nicaraguan resistance has distracted us from the very real problems in El Salvador.

As an indication of Salvadoran disappointment and concern, yesterday,

It is important to note that this one example of disaffection in Central America is likely to increase when other Latin American leaders become more aware of the dramatic shift in aid priorities from Latin America to Africa. Next year, we will be spending about \$1.4B in Africa and approximately \$750M in Latin America -- almost the reverse of this year's allocation.

- Contra Program.

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Box 3-21
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32093

-- Drugs. GEN Galvin wants to give a brief update on Operation BLAST FURNACE and his assessment of future operations of this kind.



You might also mention that Al Keel is considering a trip to the region and that a kick-off briefing at SOUTHCOM would be helpful. For planning purposes, we would intend to have Al go shortly after the \$100M is made available.

RECOMMENDATION

That you review the points above prior to your meeting on Monday.

Approve Disapprove

Ray Dwyer's concern, but would have liked to have known about El Salvador visit and Keel trip earlier.

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UNCLASSIFIED Original

HS/TS 0000 787

Stenographic Transcript of

HEARINGS

Before the

UNITED STATES SENATE

Washington, D.C.

UNCLASSIFIED

AR

ALDERSON REPORTING

Partially Declassified/Released on 12-17-87
under provisions of E.O. 12065
by N. Menan, National Security Council

(202) 628-9300
20 F STREET, N.W.
WASHINGTON, D. C. 20001

4007

COPY NO. 2 OF 2 COPIES

MARY FERRELL
FOUNDATION

UNCLASSIFIEDTESTIMONY OF FLORENCE GANTT

Monday, May 18, 1987

U.S. Senate,

Select Committee on Secret Military

Assistance to Iran and the

Nicaraguan Opposition

Washington, D.C

Deposition of FLORENCE GANTT, a witness

herein, called for examination by Counsel for the Senate and House Committees in the above-entitled matter, pursuant to notice, the witness being first duly sworn by JANE W. BEACH, a Notary Public in and for the District of Columbia, at the offices of the Senate Select Committee, 9th Floor, Senate Hart Office Building, at 10:00 a.m., Monday, May 18, 1987, the proceedings being taken down by Stenomask by JANE W. BEACH and transcribed under her direction.

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2

1 **APPEARANCES:**

2 On behalf of the Witness:

3 C. DEAN McGRATH, JR., Esquire

4 Associate Counsel to the President

5 The White House

6 Washington, D.C.

7 On behalf of the Senate Select Committee on

8 Secret Military Assistance to Iran and the

9 Nicaraguan Opposition:

10 VICTORIA NOURSE, Esquire

11 Counsel

12 Senate Select Committee

13 Hart Senate Office Building, 9th Floor

14 Washington, D.C.

15 On behalf of the House Select Committee

16 to Investigate Covert Arms Transactions

17 with Iran:

18 BUD HALL, Esquire

19 House Select Committee

20 United States House of Representatives

21 Washington, D.C.

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3

PROCEEDINGS

Whereupon,

FLORENCE GANTT

was called for examination by counsel for the Committees in the above-entitled matter and, having been first duly sworn by the Notary Public, was examined and testified as follows:

EXAMINATION BY COUNSEL FOR THE SENATE SELECT COMMITTEE

BY MS. NOURSE:

Q Mrs. Gantt, where are you presently employed?

A At the White House, the National Security Council.

Q And who is your immediate supervisor?

A General Powell.

Q And prior to that?

A Admiral Poindexter.

Q When did you begin work for Admiral Poindexter?

A I'd been working with Admiral Poindexter from the time he came to the NSC. I think that was about five years ago. And then I was assigned directly to him when he became the Deputy, and I don't remember exactly what year that was.

Q And you worked for him until he left the

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1 NSC. Is that correct?

2 A That's correct.

3 Q Could you give us just some brief idea of
4 what your basic responsibilities were?

5 A I'm his personal secretary, or his
6 Special Assistant, and that basically is taking care
7 of him in all respects--taking care of his schedule,
8 maintaining his files, doing his typing, his social
9 calendar, the whole thing.

10 Q It runs the gamut. It sounds like you
11 were probably a very busy employee--

12 A Yes.

13 Q --employee with the National Security
14 Adviser, keeping track of him.

15 Was it part of your responsibilities to
16 log documents? We've heard something about a log
17 for documents. Maybe you could explain that
18 process.

19 A We have a system by which most of our
20 documents have a number. We have several systems,
21 and--

22 Q Right. I understand that.

23 A --and when the document would come in,
24 the reason we logged the documents was merely to
25 trace them in our office. In other words, if

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1 someone wanted to know where No. 4279 was, it was
2 much easier to have it on the log, instead of going
3 to the first place it comes into and looking through
4 their papers.

5 When documents came into the Admiral,
6 then I would log them in as coming to the Admiral.
7 When they left his office, I would log them in to
8 whoever they were going to.

9 Q The fact that a document was logged in on
10 whatever sheet this was--

11 A It was on the computer.

12 Q --would that indicate that he had seen
13 the document, necessarily?

14 A No, it meant it was in his office.

15 Q I see. The next thing I want to ask you about
16 is Admiral Poindexter's reputation that has been
17 much discussed in the press, for note taking. You
18 have been asked questions about this before, I know,
19 but indulge me and let me ask the same questions
20 again just for our record.

21 Were you aware that he took notes at
22 various meetings? And what type of meetings were
23 you aware that he took notes at?

24 A If he took notes, to my knowledge he kept
25 a little book and he would write notes basically on

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6

1 what he had to do as a result of a meeting. In
2 other words, I thought they were basically tickler
3 items. What he would do is he would have a note
4 with a little square, and talk to so-and-so about a
5 specific subject. And at the end of the time when
6 he would talk, he would check that square.

7 There were times when he kept minutes of
8 a meeting, if he had gone to an NSPG and was the
9 notetaker, then he took actual minutes. Other than
10 that, I am not aware of his taking extensive notes.

11 Q Now you mentioned a notebook. Was that a
12 small, spiral notebook?

13 A He started with a small spiral notebook.
14 He started with a shorthand book. Then he went to
15 his little notebook, his little black notebook.
16 Then when he became the National Security Adviser,
17 he basically used these sheets [indicating].

18 MR. HALL: Witness indicates yellow legal
19 pad sheets.

20 MS. NOURSE: Thank you, Dean.

21 BY MS. NOURSE: (Resuming)

22 Q So that prior to the time that he was
23 National Security Adviser, he had the notebook; and
24 later he used the legal pad?

25 A Um-hmm.

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7

1 Q That explains--

2 A Now he may have still kept his notebook,
3 but, you know, I never saw that. I never saw any
4 sheets come out on that paper, and he would give me
5 the yellow sheets to file, occasionally.

6 Q Would you retype any of these notes?

7 A No. He was very meticulous and very neat
8 in his writing, and he said it wasn't necessary for
9 me to type them.

10 Q And you would file the notes. Were there
11 particular files for particular kinds of meetings?

12 A Um-hmm. Basically, it was the 0930,
13 which is the meeting with the President. I would
14 file the notes as to what was discussed with the
15 President.

16 Before he went in to see the President,
17 he would write a list of items that he was going to
18 discuss. Then when he came back he would check what
19 was actually discussed. Then I filed that in the
20 0930 file.

21 I think that's basically the type of
22 notes. And then I had a folder that contained
23 handwritten notes, and if there were times I didn't
24 know what to do with something and it was in his
25 handwriting and he didn't say "burn," I would put it

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1 in that file. But that was not a very complete
2 file, by any means.

3 Q To your knowledge, you mentioned the word
4 "burn." Was it his consistent practice to destroy
5 the notes?

6 A If he had completed everything on the
7 note, he would just draw a line through it and say
8 "burn," and I would burn it. That's what made me
9 think they were basically ticklers, you know, to
10 remind him to touch base with somebody on something,
11 or to do something.

12 Q Do you remember, where these the 0930
13 notes?

14 A No, the 0930 notes he basically would
15 file.

16 Q He would file those?

17 A Um-hmm.

18 Q So that when he would instruct you to
19 destroy notes, they were generally of other types of
20 meetings?

21 A Well, it might have involved items that
22 had to do with the 0930 that he had made notes to
23 himself, and then he transposed them to the yellow
24 sheets, and then when he would take care of it he
25 would just throw the little notes away.

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1 Q I have seen notes. They are in here, and
2 we may get to them eventually, of the family group
3 lunches.

4 A He also kept that type of thing.

5 Q Was that in a separate file?

6 A Um-hmm.

7 THE REPORTER: Did you say "yes"?

8 THE WITNESS: Yes.

9 MS. NOURSE: Unfortunately, the reporter
10 only responds to words, and not to gestures and the
11 other ways that we always communicate with each
12 other.

13 BY MS. NOURSE: (Resuming)

14 Q Was there a separate file for NSPG
15 meeting notes?

16 A I don't think I kept it, because it was
17 basically a system package, and most of that stuff
18 was sent back. I may have had in my files some an
19 NSPG folder of notes that I was supposed to have
20 typed for him from years back that I never got
21 around to doing. I think that's the only NSPG file
22 I had.

23 Q Taking this a little bit out of order,
24 back to the logging process, are you familiar, or
25 have you ever seen any documents termed "non-log"?

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1 A Um-hmm.

2 Q What was your understanding of non-log
3 documents? What was their purpose?

4 A Non-log was usually something that didn't
5 necessarily have to go into the historic files. It
6 may have been something that somebody wanted to
7 mentioned, but not necessarily thought it was
8 sufficient for filing.

9 Also, they were used for things that they
10 didn't want to go through the system, not
11 necessarily sensitive, but sometimes could be
12 sensitive.

13 Q Were non-log memos a common occurrence?
14 Was it a rare occurrence? Could you give us some
15 kind of estimate?

16 A Common every day, every week, every
17 month, no; but you could have a time where you might
18 get non-log several times in one week, depending on
19 you know what was going on, and the subject. But it
20 was not on a regular basis, no.

21 Q Did Admiral Poindexter ever instruct you
22 to type or take dictation of a non-log memo?

23 A Not to my knowledge, no. Most of the
24 things that I did type for him I didn't always put
25 in the system, though. You know, in other words, if

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1 it was a one-paragraph thing and he was sending it
2 to the Chief of Staff, or to someone, I didn't
3 necessarily put it in the system. Then those would
4 be in his personal chron, official chron, I'm sorry.

5 Q By not putting it in the system, you mean
6 that it did not have a system one, two, three, four
7 number, and go through the filing chains?

8 A Um-hmm. Say if he were saying, send this
9 down to Don Regan, "for your information as we
10 discussed," then I would just go ahead and type it
11 up, attach the copy of whatever they discussed, send
12 it down, and then put a copy in his official chron.

13 Q Would his official chron be the only
14 place where those items could be located, since they
15 were outside the system?

16 A If it involved discussing something at an
17 0930, then I might double-file it, cross-file it in
18 the 0930. I might cross-file, but those files would
19 have all been his personal files, and I may have
20 cross-filed it, but I'm not sure. It would depend.

21 Q You would not send it anywhere else to a
22 central filing system?

23 A No, huh-uh. If it didn't have a system,
24 a number, and if I didn't send it downstairs, it
25 would just be in his official chron.

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1 Q Were these typically short notes, as
2 opposed to long memoranda?

3 A Um-hmm. I'm a stickler for system. So
4 even if not instructed, I would put it in the
5 system.

6 Q I just want to be sure I ask you all
7 these questions before I get to these documents.
8 Back to the System 4 documents. Did Admiral
9 Poindexter ever ask you to retrieve an original
10 System 4 document from Jim Radzienski or anybody
11 else who might have had access to those files?

12 A I don't know. I've been asked to
13 retrieve originals, but whether he asked me I really
14 don't know. Quite possibly, but I really don't
15 know.

16 Q Do you remember who asked you?

17 A No. I have retrieved, but I honestly
18 couldn't tell you. It's quite possible, but I
19 really wouldn't remember anything specific.

20 Q You have no specific recall as to the
21 incident in which someone asked you to retrieve?

22 A No, but I have been asked to recall. In
23 the years that I have worked there, I have been
24 asked.

25 Q And was it your normal practice to return

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1 those documents back to Jim Radzi^mski?

2 MR. HALL: Was there ever an occasion
3 when you did not return the original documents?

4 THE WITNESS: That, I couldn't really
5 answer, because the way the documents would be
6 returned is they would be put in his out box, and if
7 someone else handled his out box in my absence, then
8 it would have been returned.

9 I did not maintain a log of what I had
10 called back--you know, called the original back to
11 the office, and whether I in fact returned it or
12 not. If it were sent in his out box, I would have
13 returned it, yes; but he may have put it out, as I
14 said, and someone else may have worked on the out
15 box and they would have returned it. But our system
16 was, when it came in the out box it was sent back to
17 where it came from.

18 BY MS. NOURSE: (Resuming)

19 Q Did Jim Radzi^mski ever call you and ask
20 looking for a System 4 original?

21 A Um-hmm.

22 Q Do you remember anything specific about
23 that occasion or the document he was looking for?

24 A No, I just remember that there were times
25 when they were looking for specific documents--you

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1 know, I couldn't tell you which ones. All I knew is
2 they were System 4, and I would check and see if
3 they were in my possession, or I would go through
4 the Admiral's papers, and answer yes, or no.

5 Q Is it correct that during the course of
6 your duties you became familiar with Admiral
7 Poindexter's handwriting?

8 A Um-hmm.

9 Q So that if I were to show you a document,
10 you would be able to tell me--

11 A Well, I can try.

12 Q --his handwriting, or how to decipher it?
13 That is what we will get to in a minute.

14 MR. HALL: Victoria, before we get to
15 that, if I could ask, what did you understand his
16 personal files to be, the compilation, the
17 categories of materials in his personal files?

18 THE WITNESS: "Personal files"? Or files
19 that I maintained in the office?

20 BY MR. HALL:

21 Q You're differentiating between personal
22 files that you maintained and other files that were
23 personal that he himself maintained?

24 A Um-hmm.

25 Q Were you aware, first of all, of those?

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1 A I maintained his files.

2 Q All files?

3 A Um-hmm.

4 Q Did he have files that perhaps he placed
5 copies of documents in that only he maintained?

6 A No. Anything that only he maintained, he
7 would keep himself, and he would not ask me to file.

8 Q Were there such documents?

9 A He had a stack of papers on his desk,
10 yes, and there may also have been some papers in the
11 safe that were left there and said, "do not put out
12 on desk every day," and they were documents that he
13 may have been keeping, for whatever reason, that he
14 didn't need to have his working file on his desk.

15 I remember when Mr. McFarlane left, there
16 was a wad of papers that Admiral Poindexter just
17 said keep in the safe until I get around to them,
18 and they may have been things that were ongoing, or
19 something for him to handle after Mr. McFarlane
20 left. I never really went through the file.

21 Q As to the categories of materials within
22 those personal files, were you familiar with each of
23 the categories?

24 A The ones that I maintained?

25 Q Yes.

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1 A Um-hmm.

2 Q Did he have a filed folder marked
3 "personal" that you did not?

4 A No. Not--I had access to everything that
5 he had. I did not bother with what he kept in his
6 little safe. That was his working materials, and I
7 had access if I were looking for a paper, I could go
8 through it all--you know, sift through it to look
9 for what I'm looking for, but I did not bother with
10 those. I had enough to do, and if I didn't have to
11 worry about those papers, I didn't.

12 If he said "file," then yes, I did either
13 file in my own safe, which I called "personal" but
14 which was official and personal, or I would send it
15 down to the system.

16 Q The materials that he kept as his working
17 papers, as you described, those were kept in a
18 separate safe?

19 A We called it the lock-up safe where I
20 locked them up at night. That was basically
21 everything that he had on his desk, things that he
22 was maintaining, working files, papers that had to
23 be acted on, and also files that he kept that he
24 didn't want to dispose of yet because he was
25 working, but not necessarily current, and not the

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1 daily work at the moment. That would all go in the
2 safe.

3 Q Who had access to the lock-up safe?

4 A Everyone in the office, including myself.

5 MR. HALL: Okay. Thank you.

6 BY MS. NOURSE: (Resuming)

7 Q Some further questions on filing. The
8 official chron, did you keep that?

9 A Um-hmm. Yes.

10 Q Did Admiral Poindexter keep a sensitive
11 chron?

12 A He did not. He kept two chronos:
13 official and personal.

14 Q And you maintained both of those?

15 A Um-hmm.

16 Q Were either of them in the safe?

17 A They were both in the safe, in the same
18 safe.

19 Q His safe?

20 A No, my safe.

21 Q Okay. On the logging system, that
22 included logging System 4 documents as well as all
23 other systems? Is that correct?

24 A All except non-log.

25 Q Did Admiral Poindexter dictate memos to

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1 you?

2 A Very, very seldom.

3 Q Did he write them out in longhand and
4 give them?

5 A Yes, but very little.

6 Q Did you ever have occasion to type up
7 memoranda for the President that were non-log, or
8 non-system?

9 A Um-hmm. Yes.

10 Q Was this a common practice?

11 A No, it was not a common practice.

12 Q As a standard matter, would the memos
13 that you would be asked to type that were going to
14 the President, would they be on-system?

15 A No, they would not be on-system unless he
16 was drawing from a system package. If he were
17 drawing from a system package, then I would put the
18 same number as the system package. If he were just
19 dictating a memo, then I would not put a number on
20 it, and it would go in the official chron.

21 Q To reiterate just what you said, the
22 memos would be filed in the official chron--

23 A Yes.

24 Q --even if they were not on a system,
25 these memoranda to the President?

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1 A That's right.

2 Q Now for a little handwriting analysis--
3 unless, Bud, you have some more questions?

4 MR. HALL: No, thank you.

5 MS. NOURSE: If the reporter could mark
6 this as Gantt Exhibit No. 1. For the record, this
7 is a compilation of notes we believe to have been
8 taken by Admiral Poindexter, and it bears our Bates
9 stamp numbers N7822 to N7841.

10 (The document referred to was
11 marked Gantt Deposition
12 Exhibit

13 No. 1 for identification.

14 BY MS. NOURSE: (Resuming)

15 Q If you could leaf through this document
16 and confirm for us, first of all, whether this is in
17 fact Admiral Poindexter's handwriting. By that, I
18 do not mean the portions that state "nonrelevant
19 information, delete."

20 A It is his handwriting.

21 [Pause.]

22 MS. NOURSE: If we could go back on the
23 record and indicate that she has looked through
24 that.

25 BY MS. NOURSE: (Resuming)

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1 Q Mrs. Gantt, if you could, tell us on each
2 of these pages marked N31121 through N31140--no, we
3 have different numbers.

4 A I have 7822.

5 MS. NOURSE: Off the record for a minute.

6 [Discussion off the record.]

7 BY MS. NOURSE: (Resuming)

8 Q Exhibit No. 1 is N7822 through N7841. If
9 you could tell us, please, for each of the pages
10 that have been marked as Exhibit No. 1, whether
11 there appear notes from Admiral Poindexter on those
12 pages?

13 A Yes.

14 Q On each of the pages?

15 A On each of the pages.

16 Q Thank you.

17 Now on the first page of this Exhibit,
18 N7822, there is a notation in the upper left-hand
19 corner "0930, 3/7/86." Is this the type of material
20 that would be filed in the 0930 file?

21 A That's right.

22 Q And you would understand this piece of
23 paper I have handed you to be the notes taken by
24 Admiral Poindexter at a 0930 meeting?

25 A No. These were the notes that he would

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1 make prior to going to an 0930, and he would draw
2 his little--I see they're not boxes, but circles;
3 and if he discussed it at the 0930 he would draw
4 through it.

5 Q I see.

6 A There is a box [indicating].

7 Q Turning to the next page, N7823, there is
8 a notation on the upper left-hand, "Shultz meeting
9 with President." Is this an example of notes that
10 Admiral Poindexter would have taken at the meeting
11 with Shultz and the President?

12 A No. This looks more like the same type
13 of thing that he would write before he would go into
14 the meeting. Now he may have added things after he
15 got there, but this is the same type of thing.

16 Now to me, this would mean that he didn't
17 get the article the President gave Shultz, but that
18 doesn't necessarily mean that. He could have been
19 busy and just didn't check it.

20 Q By "this" you're referring to the blank
21 box on the first entry on this page?

22 A Um-hmm. Usually when he would "JP" it at
23 the top, that meant "I'm finished, file it." Then I
24 would put that in the Shultz meeting with the
25 President folder or file.

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1 Q So there's a separate folder for Shultz
2 meeting with the President?

3 A We had two folders, I believe, for
4 Shultz. One was called "Shultz", and I think one
5 was called "Shultz: Meetings with the President."
6 It may have been one file. I can't remember now,
7 with different people that I've worked with, but if
8 we have this, "Shultz: Meetings with the
9 President," it would be strictly things that were
10 discussed in Shultz with the President.

11 If we had a regular Shultz file, it would
12 be memos that we would get from Shultz, or things
13 that we would send Shultz that were not in the
14 system, and then it would be filed in that.

15 Q Was it Admiral Poindexter's regular
16 practice to hand you the notes after the meetings to
17 be filed in the Shultz meeting with the President
18 file?

19 A Usually. Sometimes it would be a few
20 days late, but usually he was very good, he would
21 throw it right out after the meeting.

22 Q If you could just give us an idea, in a
23 year how big would these files be?

24 A Not big at all.

25 Q By "these files," I mean the Shultz

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1 meeting with the President, or the 0930 file?

2 A The Shultz meeting with the President
3 sometimes were once or twice a week, twice a week at
4 the most. Meetings with the President were usually
5 once a day. So that would be five pieces of paper a
6 week.

7 Q Did Admiral Poindexter give you these
8 notes on a consistent basis? In other words, would
9 there be a note in that file for every meeting he
10 had with the President?

11 A Almost, but there were times when there
12 wouldn't be.

13 Q If you could, look on this page N7823.
14 If you could help me read his handwriting, I would
15 very much appreciate it.

16 MS. NOURSE: Off the record for a minute.
17 [Discussion off the record.]

18 MS. NOURSE: Back on the record.

19 BY MS. NOURSE: (Resuming)

20 Q Mrs. Gantt, I wonder if you could
21 decipher the second line after there is a notation
22 "is real" and then there is one line which I won't
23 discuss, but after that there's a word, I believe it
24 says "crates."

25 A That's correct.

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1 Q Could you read the next two lines here?

2 A "Crates of prohibited material,
3 "business with Iran (Bermuda)."

4 Q The last word is "Bermuda" you believe?

5 A That's what ~~X~~ looks like.

6 Q Okay. Fine. Thank you very much.

7 If we could skip a couple of pages to
8 N7825, this again in the upper left-hand corner has
9 a notation "0930 11/24/86"; and then in the upper
10 right, I believe this says, and could you confirm
11 for me, "done JP"?

12 A That's right.

13 Q Are these notes that he would have taken
14 before entering the meeting?

15 A Um-hmm.

16 Q And then indicated on the upper right-
17 hand corner that he had done whatever it was that
18 was discussed below.

19 A It doesn't mean that he wouldn't have
20 annotated them once he was in the meeting, but
21 basically this is the type of thing he would do
22 before going into a meeting.

23 Q If we could, skip to N7830. Again, this
24 notation has in the upper left-hand corner "0930
25 7/2/86" and in the upper right-hand, "Done JP".

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1 If you could, clarify for me what
2 precisely this notes says. If you could read it
3 into the record, I would appreciate it.

4 A "Nicaragua Program
5 --\$400M [million dollars] in addition."

6 Q Okay. Thank you.

7 And skipping to N7837--you have my note
8 on here, which I will take off--"What does this
9 say," my note says, and that is exactly what I am
10 going to ask you.

11 Again, on the upper left-hand corner this
12 mentions "0930 1/22/86" "Done" in the upper right-
13 hand corner.

14 On the last line of this note above where
15 it says "non relevant material deleted" I am
16 interested in the first word of that sentence. If
17 you could read it into the record as best you
18 understand it based on your knowledge of his
19 handwriting, I would appreciate it.

20 A 7837?

21 Q Not this line. Above the "non relevant
22 material". This line here [indicating]. I will ask
23 you to read the third line of this message that I
24 believe starts "Covertness" or "Correctness."

25 A It looks like "Covertness of" something

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1 "to Contras." And I don't know whether that is, I
2 can't tell whether that's been scratched out and
3 that's just one zero to Contras.

4 Q I would interpret that as "aid."

5 A Oh, well, yes, I guess now that you--it
6 could be "aid," too. It could be a-i-d.

7 Q Do you believe the first word is
8 "covertness"?

9 A It looks like "covertness."

10 Q Moving on to another set of notes that
11 have been produced from the White House.

12 MS. NOURSE: Would the reporter mark this
13 as Exhibit No. 2.

14 (The document referred to
15 was marked as Gantt
16 Deposition Exhibit No. 2
17 for identification.)

18 BY MS. NOURSE: (Resuming)

19 Q This is a four or five page document
20 marked our N numbers 8011 through 8016. They are
21 handwritten notes.

22 Mrs. Gantt, could you identify this? Is
23 this Admiral Poindexter's handwriting?

24 A Yes, it is.

25 Q Do these notes look to be the kind that

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1 would have been in a small spiral notebook that
2 he--

3 A Yes.

4 Q --took notes prior to the time he was the
5 National Security Adviser?

6 A He may have also used it afterwards. I'm
7 not sure, but that's what they look like, yes.

8 Q Looking on page N8015, if you could help
9 us read this page, in particular after the third
10 paragraph.

11 A After the third paragraph?

12 Q The third paragraph, I mean.

13 A 

14
15
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17
18
19 Q Going back for a moment to the first page
20 of this document, in the upper left-hand corner it
21 mentions 0923. Would that be the time?

22 A That's what it looks like.

23 Q And the date in the upper right-hand is
24 6/22/85?

25 A Um-hmm.

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1 Q One more thing. Looking on page N8013,
2 after the reference to [REDACTED] there's a word
3 and a colon. Could you make that word out for me?

4 A Oh, boy.

5 Q If you can't, you can't.

6 A I'm not sure what the first letter is.
7 It looks like [REDACTED]

8 Q Well, all you can do is attempt to use
9 your best recollection of his handwriting. It's not
10 crucial. I think we can move on.

11 MS. NOURSE: If the reporter could mark
12 this as Gantt Exhibit No. 3.

13 (The document referred to was
14 marked Gantt Exhibit No. 3
15 for identification.)

16 BY MS. NOURSE: (Resuming)

17 Q This is two pages of handwritten notes
18 marked N28892 to 28893.

19 Mrs. Gantt, on the first page of these
20 notes in the upper left-hand corner is the reference
21 "DOM". What is that?

22 A Daily Operations Meeting; the 8:00
23 o'clock senior staff meeting.

24 Q And the marks in the boxes in the left-
25 hand side of this page would indicate to you that

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1 these are items that Admiral Poindexter had written
2 at the meeting, or maybe prior to the meeting?

3 A It could be before the meeting, and it
4 could be at the meeting.

5 Q This note discusses a "1340 meeting with
6 the President."

7 A Um-hmm.

8 Q How often, to your knowledge, did the
9 National Security Adviser, Admiral Poindexter, meet
10 with the President outside of the 0930 a.m.
11 meetings? Was this a common occurrence? A rare
12 occurrence?

13 A It was not a common occurrence, and I
14 really off the top of my head could not say. It
15 depended on what was going on. If we had a crisis
16 going on, then he might meet with the President more
17 often. But it is just difficult to say.

18 Q Moving to the next page, N28893, on the
19 upper left-hand corner is indicated "Family Group
20 Lunch" and various items. Was there a separate file
21 for Family Group Lunch notes, as well?

22 A Yes. This is the type of thing where he
23 may have had this note for the January 17 family
24 group lunch, and at the meeting he may have written
25 the future agendas, and this is the type of thing

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1 that he may not have given me to file immediately
2 after January 17. He may have kept this on his desk
3 for the next FGL, and then he may have thrown it out
4 after the next FGL.

5 Then again he may have given it to me to
6 file right at the 17th; but that was the
7 inconsistency of giving it to me immediately after
8 the meeting. Sometimes there were instances where
9 he did hold on.

10 MS. NOURSE: If the reporter could mark
11 this as Gantt Exhibit No. 4.

12 (The document referred to was
13 marked Gantt Exhibit No. 4
14 for identification.)

15 MS. NOURSE: That copy seems to have more
16 pages. Could I just see that?

17 [Discussion off the record.]

18 MS. NOURSE: This is the document I am
19 going to have marked, and I don't have an exact copy
20 of it. This is a two-page document marked N31027 to
21 31028.

22 BY MS. NOURSE: (Resuming)

23 Q Could you identify for us, Mrs. Gantt,
24 whether this document is in Admiral Poindexter's
25 handwriting?

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1 A I don't think it is.

2 Q Could you tell me whether on the second
3 page of the document where there are notes on the
4 bottom shortly above the independent counsel's AKW
5 number, whether those notes are Admiral Poindexter's
6 handwriting where it says "Add? Not legal?"

7 A It could be. It looks, but I'm not
8 positive.

9 Q Okay. Fine.

10 MS. NOURSE: If the reporter could mark
11 this as Gantt Exhibit No. 5.

12 (The document referred to was
13 marked Gantt Exhibit No. 5
14 for identification.)

15 MS. NOURSE: This is a set of handwritten
16 notes, our Bates stamp numbers N 8025 through 8028.

17 BY MS. NOURSE: (Resuming)

18 Q Could you tell me, Mrs. Gantt, whether
19 this document is in Admiral Poindexter's
20 handwriting?

21 A Yes, it is.

22 Q Is the printing on these pages Admiral
23 Poindexter's printing, as well as the handwritten
24 notations? For example on the fourth line of the
25 first page N8025, there is some script-like

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1 handwriting.

2 A That's Admiral Poindexter's writing, yes.

3 Q As well as the printing? Is that
4 correct?

5 A Yes.

6 Q What about these notations on the side of
7 the document where it mentions "no," for instance,
8 on the first page?

9 A I think it is his handwriting, yes.

10 MR. McGRATH: The record should indicate
11 that the reference in the lower left-hand corner is
12 not that of--

13 MS. NOURSE: "E-3" is the FBI reference.

14 If the reporter could mark this as Gantt
15 Exhibit No. 6, this is a document with our Bates
16 stamp numbers N7514 through N7522, and has a
17 handwritten note on the front.

18 (The document referred to was
19 marked Gantt Exhibit No. 6
20 for identification.)

21 BY MS. NOURSE: (Resuming)

22 Q This, Mrs. Gantt, is the famous diversion
23 memo. I don't mean to surprise with you with
24 anything. I do want to ask you whether the note on
25 the front page, if you could confirm for us that

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1 this is Admiral Poindexter's handwriting?

2 A Yes, it is. It is his handwriting.

3 Q Could you read us the note, please?

4 A "Keep this together for me. Iran. JP."

5 I can tell you exactly where that's from.

6 Q Okay. Why don't you tell us about the

7 Iran file.

8 A Okay. The day that the Admiral resigned,

9 he, before he left for the day, I think it was on

10 that day, and it may have been the next day, I'm not

11 exactly sure what day. But anyhow, he bundled up

12 some papers from his desk, and he asked me to keep

13 them together for him, and I put them in my file.

14 I didn't do anything with them. I just

15 put them in my file.

16 Q Did these documents go into your safe?

17 A They went into--not the safe where I file

18 his files, because that safe was relatively full.

19 They went into the safe where I lock up my things,

20 and the other girls lock up their things at night.

21 Q How big was this file when he handed it

22 to you?

23 A I think, about that big [indicating].

24 Q The witness is estimating about--

25 A What, two or three inches?

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1 Q --about two inches.

2 A I really don't remember, but it was just
3 a bundle of papers. I think it had a manilla folder
4 on it, or around it, or in it.

5 Q Did Admiral Poindexter keep an Iran file
6 prior to that time?

7 A No, he did not. At least I was not aware
8 of it. He kept papers on his desk, but I did not
9 know of any specific files that he kept that he
10 entitled "Iran."

11 Q So to your knowledge, this note, "keep
12 this together for me," was written about the time
13 prior to this departure?

14 A Um-hmm. I think what he did was go
15 through his desk and pull papers that had dealt with
16 this subject, bundled them up, and gave them to me.
17 He was disposing of all those papers.

18 Q Were there any other papers that he--
19 relating to the contras or Iran--that he asked you
20 to safeguard, as well, when he was leaving?

21 A I'm not sure if he gave it to me in one
22 bundle, or if he added to it at the end of the day,
23 or the next day when he found more papers that he
24 wanted me to hold for him. I can't recall. I think
25 there were two instances. Anyhow, I put them all in

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1 the same batch that I had.

2 Q And each time he would indicate that this
3 was for the Iran file? Is that correct?

4 A He would just say, "keep these with the
5 papers that I asked you to hold," or "put these with
6 that bundle I asked you to hold."

7 Q Do you recall, if you could look at the
8 memorandum, as I told you earlier this is the
9 memorandum indicating that funds had been diverted
10 from the Iran initiative to the contras.

11 Do you remember ever seeing this document
12 at or around the time we believe it was written in
13 April of 1986?

14 A No, not when it was written. I've seen
15 it after.

16 Q I'm going to ask you this question. I
17 think I know the answer. When did you first learn
18 of the diversion? Was it when it came out in
19 public?

20 A Well, before it came out in public. The
21 morning that the Admiral resigned.

22 Q Do you remember when the Admiral handed
23 you this document, or put it in a pile with other
24 documents, do you remember whether it had a cover
25 sheet on it? Or you don't remember this is what it

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1 looked like?

2 A I can't remember if it had--if the folder
3 surrounded the entire bundle, or if the folder was
4 on top of the bundle, but I know that it had a sheet
5 of paper on top, and I thought it was just--you
6 know, I really don't recall, but I thought it was
7 just a blank sheet of paper. It may have even been
8 one of those little stick-um notes that just said,
9 keep this together for me.

10 Q Did you go through the papers at all?

11 A No, I just figured that it was stuff that
12 had to do with Iran that he was going to use, or
13 sort out when he had a moment, and I did not have a
14 chance to go through it, and I did not go through
15 it.

16 I think the next day, or the weekend
17 came, and I think that's when the FBI took the
18 files. They didn't take these, though.

19 Q They did not take these files?

20 A No, because they did not take my files.
21 So when I came in to work, I believe it was Monday
22 morning, I jokingly said, look what I have. Then
23 they said, turn them over immediately, and that's
24 what I did.

25 MS. NOURSE: If the reporter could mark

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1 this as Gantt Exhibit No. 7, we have more notes.

2 (The document referred to was
3 marked Gantt Exhibit No. 7
4 for identification.)

5 MS. NOURSE: This is, for the record,
6 four pages of handwritten notes marked with our
7 Bates stamp numbers N5362 through N5365.

8 BY MS. NOURSE: (Resuming)

9 Q Mrs. Gantt, could you tell us whether
10 these are notes written by Admiral Poindexter based
11 on your knowledge of his handwriting?

12 A Yes, they are.

13 Q On the first page of N5362, could you
14 read for us the third entry on the first note which
15 in the upper left-hand corner states "ODSM"?

16 A The third that doesn't have the little--

17 Q I believe it starts with "What is".

18 A "What is the real story on FDN
19 atrocities."

20 Q "Atrocities." Thank you.

21 The next entry states, I believe, and you
22 can tell me whether this is correct, [REDACTED]

23 [REDACTED]

24 A That's correct.

25 Q The reference in the upper left-hand

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1 corner, ODSM, what do you understand that to be?

2 A That's the Office Director's Staff
3 Meeting. That's the Senior Staff meeting of the
4 National Security Council staff directors.

5 Q Were those notes kept in a separate file,
6 as well?

7 A I really don't remember. I don't think I
8 had an ODSM file, but I'm really not sure. If there
9 is a file, it would be in that drawer.

10 Q Looking on N5364, I believe that's two
11 pages on, if you could confirm for me the
12 handwriting with respect to the reference that
13 states "Meeting with President 0930"?

14 A That's Admiral Poindexter's handwriting.

15 Q Would this be a note that he had taken at
16 the meeting? Or do you believe prior to the
17 meeting?

18 A It's very difficult to say.

19 Q I read this note as follows, and you can
20 tell me whether you believe that to be a correct
21 interpretation.

22 "Meeting with President 0930.

23 ~~Discussed Speaking Breakfast~~--

24 A "Sperling," I think.

25 Q "Sperling Breakfast." Is Sperling a name

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1 you recognize?

2 A I think it is the news, the newsies, that
3 have a breakfast. It is S-p-e-r-l-i-n-g.

4 Q "Private aid to contras."

5 A I think it's--I'm not sure if it's the
6 newsies now, you know, but that's what it says,
7 "private aid to contras."

8 Q "Bud covered our plan."

9 Then four points. The first:

10 "3rd country assistance."

11 Second: "non-lethal aid."

12 Third: "intelligence restrictions."

13 Fourth: "private humanitarian aid."

14 A That's correct.

15 Q If we could just go back again on the
16 Sperling breakfast, if you could explain it again
17 for me once more? I'm maybe a little bit dense on
18 that.

19 A I think it's a group of newsmen that get
20 together, and it is out of the building. They have
21 a breakfast every--I don't know if it's once a year,
22 or maybe it's more, or maybe they have it every week
23 or every month, and they ask various people to
24 participate. At least that's what I think that is.

25 Q All right, moving on.

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1 MS. NOURSE: Would the reporter mark this
2 as Gantt Exhibit No. 8.

3 (The document referred to was
4 marked Gantt Exhibit No. 8
5 for identification.)

6 BY MS. NOURSE: (Resuming)

7 Q This is a two-page handwritten note with
8 our Bates stamp number N28884 to 28885.

9 Mrs. Gantt, could you tell us whether
10 this is a note written by Admiral Poindexter, to the
11 best of your knowledge?

12 A Yes, it is.

13 Q Did he often write short, handwritten
14 notes?

15 A Yes.

16 Q Of this type?

17 A Um-hmm. Yes.

18 Q This is written on 5/23. The name of the
19 addressee in the upper left-hand corner is "Ray," I
20 believe. Is that Ray, or Roy?

21 A That's Ray.

22 Q Do you believe that this is directed to
23 Ray Burghardt?

24 A Yes. That's why I would think it would
25 be.

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1 Q Do you remember ever seeing this note
2 before?

3 A I might have.

4 Q I understand, when you are managing paper
5 flow.

6 A Normally when I saw notes that I thought
7 were difficult to read, I would retype them.

8 Q Let me try and read this for you, and you
9 can tell me whether it is correct.

10 "Ray,

11 "Please draft a short cover memo for the
12 President and a response to include the following

13 "Admit the problems of the past including
14 the mistakes made in covert"--

15 A It looks like it may be "program" or--

16 Q Or "prg"?

17 A Yes.

18 Q Do you read that to be "prg"?

19 A "Prg," yes.

20 Q "Point factual errors when they exist.

21 Summarize the review conducted end of 1985 and the
22 unanimous commitment by Cabinet officers in Jan 86
23 and our campaign to get funds. Describe the mood on
24 the Hill and our inability so far to break the funds
25 loose. Admit the error in"-- the next word? If you

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1 could help me, "appoint"?

2 A It looks like "appointee" or
3 "appointment". It looks like "appointing", it's
4 "appointing," "error in appointing Motley."

5 Q "appointing Motley."

6 A Um-hmm.

7 Q "Now things under"-- "how" Is that
8 "now"?

9 A "Not things work under Abrams."

10 Q "I suspect this is pure Menges."

11 A That's right.

12 Q And signed with the initials "JP." Is
13 that correct?

14 A That's correct.

15 MS. NOURSE: Moving on, if the reporter
16 could mark this as Gantt Exhibit No. 9.

17 (The document referred to was
18 marked Gantt Exhibit No. 9
19 for identification.)

20 MS. NOURSE: Unfortunately, Dean, I have
21 no copies for you.

22 BY MS. NOURSE: (Resuming)

23 Q Mrs. Gantt, if you could just tell us
24 whether you can identify this as Admiral
25 Poindexter's handwriting?

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1 A Yes, it is.

2 Q Aside from the--the record should reflect
3 that the Xerox notations that happen to be in my
4 handwriting say "Iran" and I think a reference to
5 Admiral Poindexter are not in Admiral Poindexter's
6 handwriting. Is that correct?

7 A That's these, to that [indicating] and to
8 this [indicating].

9 Q The bottom left-hand reference by the FBI
10 to "P 21" is not in his handwriting.

11 Mrs. Gantt, do these notes look to be the
12 kind of notes he would make prior to entering a 9:30
13 meeting or, to the best of your knowledge?

14 A I don't think they would have been a
15 9:30, because he was very good about putting at the
16 top what specific meeting he was going to use the
17 notes in. This looks like he just made notes.

18 MS. NOURSE: Okay, I don't have anything
19 else.

20 EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

21 BY MR. HALL: [Resuming]

22 Q If I could go back for a moment, please,
23 to what has been referred to as the diversion memo,
24 number N7514--

25 MR. McGRATH: This is Gantt No. 6?

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1 MS. NOURSE: Yes.

2 MR. HALL: Yes, it is.

3 BY MR. HALL: [Resuming]

4 Q On that particular document, I am
5 somewhat confused if he gave that document to you
6 along with other documents which comprised the
7 package perhaps two inches thick. I believe you
8 indicated that that may have been the day before he
9 resigned?

10 A No. He didn't give me anything the day
11 before.

12 Q Then when did he give those documents to
13 you?

14 A When he gave me something, it was either
15 the day he resigned or the next day, or the
16 following. I don't remember now. Was it a
17 Thursday, or a Friday? It seems to me it was close
18 to the weekend. But anyhow, I don't remember if he
19 gave it to be exactly that very same day that he
20 resigned. I think he did. And I think he also gave
21 me some papers after--

22 Q He resigned?

23 A That's right. Maybe that Monday or
24 Tuesday as he was cleaning out his desk.

25 Q As he gave you those documents, was it

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1 your impression that those particular materials he
2 anticipated going through again?

3 A Um-hmm. Yes.

4 Q But this was the day that he resigned?

5 A I'm not sure.

6 Q Or the time frame thereabouts?

7 A It was not before he resigned. I know
8 that for sure.

9 Q What gave you the impression that he may
10 have gone through those documents again?

11 A Well, I thought that possibly he would be
12 using them if he had to remember what he was working
13 with with Iran. I figured they were going to be
14 working files for him. I didn't think anyone was
15 going to come and take them.

16 Q Certainly not.

17 A And I figured he would be there for days
18 to work on his files, and I thought he might be
19 putting the file in order. And I could not tell you
20 if this document was the very first document after
21 this note. This may have been down an inch, or two
22 inches. In other words, I did not look through the
23 papers. I was told when I was questioned before
24 that this was in the package, and I was shown this
25 document as being in the package with this note.

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1 I think I was shown the package at the
2 time when I was told that. But when I received
3 these documents, I did not go through. I just put
4 them in the safe.

5 Q Were there verbal instructions--

6 A No.

7 Q --associated with that?

8 A It was sent down--it was a pile of things
9 in his out box, and things that had numbers I would
10 dispose to the Secretariat. Things that went to the
11 Sit Room, I would send to the Sit Room. This
12 package was bundled up, and it said, "keep together
13 for me," and so I put it in my safe.

14 MS. NOURSE: Let me clarify. This
15 document marked N 7514 was not attached when you saw
16 it to the document that--

17 THE WITNESS: That's right. That's what
18 I'm saying.

19 MS. NOURSE: --is numbered N 7515.

20 THE WITNESS: No. I recognize this
21 document as it was pointed out to me when I was
22 questioned, and I thought it was in the bundle of
23 things. As I say, I think this may have been a
24 little yellow slip put on top of the entire package.

25 MS. NOURSE: That's what I was going to

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1 ask you. The note, the handwritten note, you
2 believe to have been on top of the materials that he
3 handed to you?

4 THE WITNESS: That's right. And we were
5 busy, and I did not go through them. I just put
6 them in the safe, as I say, figuring that he was
7 going to use them to put them in order, or whatever,
8 before he finally left.

9 I thought we were going to have a chance
10 to get all the files together to go to, you know, to
11 the--we don't have central files, but to go to the
12 NSC, or things that were in his personal files for
13 him to take.

14 Usually you work on files, and that's
15 what I thought we were going to have a chance to do.
16 I had no idea that we were going to lose our files.
17 So I never really looked at this, because it was
18 just not--it was not an urgent thing. I just stuck
19 it in the safe for him to ask for at some point.

20 BY MR. HALL: [Resuming]

21 Q I believe you indicated that the other
22 safe was full, and that you placed that--

23 A I stored it with my stuff, because I had
24 the responsibility to get it back to him. So I just
25 put it with my junk.

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1 Q Did you relate the storing of those
2 materials in your safe, as opposed to a safe which
3 you would regularly store materials?

4 A What do you mean, "relate"?

5 Q Did you believe that those items had
6 particular significance to them and were related to
7 his resignation?

8 A Absolutely no. I figured--well, I knew
9 it had to do with Iran, because when I got the
10 documents I saw it was Iran. When he said, keep
11 them for me, I put them with my stuff as my working
12 papers that he would eventually ask for. He did not
13 ask me to file it, so I did not file the package. I
14 kept it with my working papers.

15 I figured that we were going to sort it
16 out for the files. So that's why I kept it there.
17 I figured he pulled everything from his desk that
18 had to do with his problem.

19 Q Did you ever have any discussion with him
20 again concerning those documents, including that
21 particular document? Did you ever have a discussion
22 with him concerning those documents that he set
23 aside for you to hold?

24 A I laughed afterwards when the files had
25 been taken by the FBI, and there was an article in

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1 the paper about Admiral Poindexter shredding his
2 papers. My comment to the Admiral was, no wonder
3 they thought you shredded your papers; I had all of
4 your materials in my safe that dealt with Iran. And
5 because they went through your safes and found
6 nothing on Iran, they figured you shredded
7 everything, and we laughed about it.

8 Q When was that discussion?

9 A After I found that I had this material in
10 my possession, that the FBI had not taken it.

11 Q Within a day or so?

12 A When I came back to work, I think it was
13 a Monday, because I think they took the files over
14 the weekend. In fact, I'm pretty sure they took the
15 files over the weekend. I think they took the
16 combinations, or changed the combinations on a
17 Saturday or a Friday night, and then I think Sunday
18 they came and took the contents of the files.

19 I just found it very amusing, and very, I
20 guess, I didn't think unprofessional, but not very
21 thorough that they did not take my files, too.

22 Q What was his reaction to your comment,
23 specifically?

24 A I think then I said, then I immediately
25 was told to turn them over to Brenda. And we just

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1 kind of laughed.

2 Q What was Admiral Poindexter's reaction?

3 A His reaction was the same, that they were
4 not very thorough in taking all the files that were
5 relevant.

6 Q Nevertheless, you had them before you
7 knew.

8 A What do you mean?

9 Q The documents, before you now.

10 A I don't understand what you're saying.

11 Q Put it aside.

12 Can you recall what Admiral Poindexter's
13 comments were concerning the documents that you
14 indicated that they did not take? What was his
15 specific reaction, if you can recall?

16 A I told him that I had turned them over to
17 Brenda Reger, and he said, good.

18 Q He said, "good"?

19 A Um-hmm.

20 EXAMINATION ON BEHALF OF SENATE--Resumed

21 BY MS. NOURSE: (Resuming)

22 Q To your knowledge, did he ever look
23 through this file again?

24 A No.

25 Q Did he have access to your safe?

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1 A To my safe?

2 Q Yes. Do you know whether he knew the
3 combination?

4 A He had access to them, but he would have
5 had to ask for the combinations. I don't believe he
6 had the combinations. He had the combination I
7 think to his safe, but I'm not even sure about that.
8 When I say "his safe," it is the safe in his office.
9 It's not literally his safe.

10 He never opened it and closed it, to my
11 knowledge. I'm the one--or the Sit Room--

12 Q You would open it and close it?

13 A That's right. The Sit Room had access to
14 it. They also had the combination. They had the
15 combination to all our safes. But, you know,
16 whether he had the combination to his safe or not, I
17 don't know. I don't believe he had the combination
18 to our safe. He never had any reason to.

19 Q During the week or two prior to Admiral
20 Poindexter's departure, do you remember, was there
21 anything else that he asked you that might have been
22 out of the ordinary in terms of filing or keeping
23 papers together?

24 A Absolutely not. We didn't even discuss
25 the files, because we never thought they were going

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1 to be taken.

2 Q Did Admiral Poindexter ever ask you to
3 destroy documents in a way that you--

4 A Absolutely not. Absolutely not. He
5 would write "burn" on things--

6 Q In the normal course.

7 A That's right. And I did that all the
8 years I worked with him. If he drew a line through
9 it, if he sent a document out that didn't have a
10 checkmark on it, like this [indicating] for
11 instance.

12 Q The witness is referring to N7823.

13 A I would say, "Admiral, you didn't check
14 your block," and he would say, that's okay, it's
15 ready for filing. And sometimes if I said, you
16 didn't check your block, he would go through it and
17 you know, kind of humor me and check it.

18 MS. NOURSE: Off the record a minute.

19 [Discussion off the record.]

20 EXAMINATION BY COUNSEL FOR THE HOUSE--Resumed

21 BY MR. HALL: [Resuming]

22 Q You obviously are familiar with Colonel
23 North?

24 A Yes.

25 Q When did you first come to work for the

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1 National Security Council?

2 A I started when I was 2. 1963.

3 Q You've held a variety of positions?

4 [Laughter.]

5 A Yes.

6 Q Within the National Security Council?

7 You started out your initial position at the NSC as
8 what?

9 A I was secretary to Charles Johnson, who
10 was a senior staff member that handled atomic
11 energy, nuclear treaties, that type of thing.

12 Q Jumping ahead considerably to the early
13 1980s when Lt. Col. Oliver North came to work for
14 the National Security Council--

15 A That's right.

16 Q --do you recall under what circumstances?

17 A I thought Mr. McFarlane brought him on
18 board, but I'm not sure if he was already on the
19 staff when Mr. McFarlane came. I really didn't pay
20 that much attention.

21 Q There came a point in time when Colonel
22 North was placed in a particular section within the
23 NSC political and military affairs section. Are you
24 familiar with that?

25 A Yes.

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1 Q Are you familiar with the fact that he
2 had as subordinates Lt. Col. Robert Earl, and
3 Commander Craig Coy?

4 A That's correct.

5 Q Do you connect anyone else with Colonel
6 North in a subordinate position, aside from support
7 positions?

8 A No, except staff members that did work
9 with him on various projects or various subjects
10 that they were interrelated.

11 Q You're familiar with the fact that
12 Colonel North became involved in an initiative to
13 sell arms to Iran?

14 A I'm not sure when I became aware of that.
15 I don't know whether I was very naive and didn't pay
16 attention, if I ever knew, but I really don't--I
17 knew we were doing something with Iran, but I didn't
18 know what until, I think, it became public.

19 Q Did you routinely read the type of work
20 that came into Admiral Poindexter's office?

21 A No. You don't have time to read the
22 paperwork that comes in. You look at the subjects.
23 You would note the number, and the person that is
24 writing it, so that if you are asked for the paper
25 you recall seeing it come in. I am waiting for that

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1 paper from Jim Stark, has it come in? So you're
2 knowledgeable about that. You don't have time to
3 read papers.

4 Q And you're aware that Colonel North--did
5 you connect Colonel North with an Iran initiative?

6 A Yes, I guess I did when I knew that Ollie
7 was working on something sensitive, and I had an
8 inkling it had to do with Iran. And, yes, I guess I
9 did connect Ollie with that.

10 Q Did you connect him with work on behalf
11 of the contras for the NSC?

12 A Oh, I knew he was working with Nicaragua,
13 and that was part of his bailiwick, yes.

14 Q How did you know that?

15 A Because that was Ollie's area, number
16 one, and I guess I saw papers coming from Ollie
17 North.

18 Q And Colonel North would meet with Admiral
19 Poindexter?

20 A Yes.

21 Q How frequently?

22 A That's hard to say. I would have to
23 go--

24 Q We're talking in the time frame of 1985
25 throughout 1986.

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1 A That's very difficult to say. I have it
2 on the record of schedule that are also in those
3 files. I didn't pay attention that much. There
4 were times when we had a crisis going, then a
5 specific staff member would meet more than once or
6 twice a day.

7 There were times that Ollie never came to
8 our office.

9 Q Would he call prior to coming to Admiral
10 Poindexter's office?

11 A Normally, yes.

12 Q Would he just show up?

13 A There may have been times when he may
14 have been downstairs working in the Sit Room, and
15 there was a crisis going on, and he had to come in
16 and report to the Admiral on something specific, and
17 he may have just popped in.

18 Basically when people came to see the
19 Admiral, they requested to see the Admiral.

20 Q When Colonel North appeared in Admiral
21 Poindexter's office, would the door be open?

22 A The Admiral's door was always closed.

23 Q Even if he was in there alone?

24 A Even if he was in there alone.

25 Q So in other words, he would allow entry

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1 to a visitor, and the door would be closed, and the
2 discussion would continue?

3 A Um-hmm. And he would allow entry only
4 when I buzzed him and told him that someone
5 specifically wanted to see him. Nobody barged in,
6 except maybe Don Regan, or the President, or
7 something like that. Then, you know, I would just
8 go like that [indicating], and they would walk in.

9 Q Did you know of a specific animus between
10 Admiral Poindexter and Lt. Col. North? Did you know
11 of any disagreements or tension, arguments?

12 A Sometimes I would detect frustration.

13 Q On whose part?

14 A On the Admiral's part, and probably on
15 Ollie's too. You could tell sometimes, yes, that
16 there was frustration or, you know, get out of here.

17 Q And how would that frustration be
18 articulated?

19 A You could tell that he--

20 Q Speaking of whom, please?

21 A Speaking of the look on Ollie's face when
22 he came out, and if I would buzz the Admiral for
23 something after he met with Ollie or he talked with
24 Ollie, the Admiral would bark at me. At which time
25 I would give him a handful of candy to show him that

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58

1 he needed to be sweetened up.

2 Q Did you know of a specific disagreement
3 between Admiral Poindexter and Colonel North, the
4 subject matter?

5 A No.

6 Q Would Admiral Poindexter discuss with you
7 the personality traits or work performance of his
8 subordinates?

9 A Sometimes I would see frustration, and I
10 would make a comment, and he would say, well, he's
11 just not doing what I want, or whatever; and I would
12 say, well, why don't you fire him?

13 Q Who are you referring to?

14 A No one in particular. There were several
15 instances when there were times when he was upset
16 over a specific person. Not Ollie, in this instance
17 that I'm talking about, and I would say, well, why
18 don't you fire him? And he would say, well, we're
19 going to, or something like that. And that would be
20 the end of it.

21 And a lot of times he would tell me to
22 mind my own business.

23 Q We can guess who that would be. But
24 speaking of Colonel North, did you ever detect from
25 Admiral Poindexter a specific area of disenchantment

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1 of the work performance, anything that you can
2 recall in particular?

3 A Not in particular, no.

4 MR. HALL: Thank you.

5 EXAMINATION ON BEHALF OF SENATE--Resumed

6 BY MS. NOURSE: (Resuming)

7 Q I understand that you worked for Admiral
8 Poindexter while he was Deputy?

9 A That's correct.

10 Q If you could give us some insight, as far
11 as you know, as to his relationship with Mr.

12 McFarlane. Was it a close relationship?

13 A Close? What do you mean? Personal?

14 Q Personal.

15 A Did they socialize?

16 Q Yes.

17 A No.

18 Q No?

19 A No. The Admiral was not a very social
20 bird. He was basically family.

21 Q They had day-to-day contact, I imagine,
22 though?

23 A They had what?

24 Q Day-to-day contact in the context of the
25 NSC operation procedures?

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60

1 A That's correct.

2 Q Let me ask you one more question about
3 the diversion memo. Do you ever remember typing
4 this document? You have seen this document more
5 than once, I imagine, in various interviews.

6 A I don't remember ever typing the
7 document, and I don't think I did, because I would
8 never have put "sensitive" there [indicating]. I
9 would have put "sensitive" here [indicating]. That
10 was my way of typing it, here [indicating], and
11 underneath; or "Top Secret--Sensitive" or
12 "/Sensitive."

13 Q By "diversion" you understand that I mean
14 the flow of profits from the Iran initiative to the
15 contras?

16 A Um-hmm.

17 Q Do you ever remember typing any other
18 document in which you remember having any reference
19 to such a diversion other than this document, the
20 April 4 document that is before you?

21 A I never even really read this document,
22 so I don't even know what it says in it. The first
23 time I ever heard of "diversion" was the day the
24 Admiral resigned.

25 MS. NOURSE: Okay, fine. Thank you.

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1 Bud?

2 MR. HALL: Thank you, very much.

3 MR. McGRATH: I would just like to
4 indicate for the record that Mrs. Gantt appeared
5 here voluntarily today to cooperate with the
6 Committee; that the matters discussed are at the Top
7 Secret level.

8 MS. NOURSE: Certainly. And we thank
9 Mrs. Gantt for her cooperation, and for her
10 occasional humor, and for bearing with this heat in
11 this room.

12 [Whereupon, at 11:16 a.m., the deposition
13 in the above-entitled matter was concluded.]

14 * * *

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62

1

2

SIGNATURE OF THE WITNESS

3

SUBSCRIBED AND SWORN to before me this _____

4

day of _____, 1987.

5

6

NOTARY PUBLIC

7

My Commission Expires: _____

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7 MAR 86

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C930 3/7/86

Doc

N 7822

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UML 12.30.86

P85
174/86
86

~~Nearyan Assistance~~
- Habib
- Triple A yesterday & Sunday show

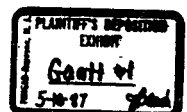
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UML 12.30.86

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Shuttle Meeting with President

T/6

N 7823

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VML 12-30-86

□ Set article President gave George

Israel

- Pollard, Clinton Bomber,
Creator of prohibited material,
Involvement with Iran (Bernardo)
- George talked to Ed House.
- Isolate the legal cases and prosecute but
don't let that impact our relations.

P 86
12/4/85
FG 11/7/86 -
Def w. 11/30/86

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and all of page 2.

VML 12-30-86

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Dove. of

Healthy Litz with President 7/9/86

• Middle East

- Cairo - Amman Banks

- Taber

- West Bank beyond

- Shutting down PLO

- VP Trips - Again? ~~X~~ Real Dennis's

N 7824

pg 7
12/4/86
EG

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Until 12.30.86

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SECRET
C930 11/24/86 USB X

N 7825

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Vml 12-30-86

288
12/11/86
JST

✓ SENIOR ADVISERS ON IRAN & MIDDLE EAST
- WHY WE STARTED
- EMISSARY
- REVIEW INTELLIGENCE

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Vml 12-30-86

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0930 11/14/86 NSB 4

- SPEECH Follow-up
- FINDING
- IRANIAN AMB

N 7826

non relevant material deleted
from this section

12-30-86 vml

~~Q~~ Israeli situation ...

PSA
12/4/86
EG

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C930 11/12/86 WCO USB

Done X

N 7827

Non relevant information
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12.30.86
VNL

- IRAN & HOSTAGES
 - 2 + 3 MAYSE
 - POSITIVE STATEMENT
 - FATWAH
 - PRESS GUIDANCE

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VNL
12.30.86

~~X~~ Flight statement

~~X~~ Try to Win & Jones

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990
12/14/86

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0930 11/7/86 NSB FRIDAY

41

° IRAN

- FRANKFURT

- AIRLINES & TELEPHONES

- RESCUE - JACOBSEN

- DOLE, BYRD, HAMILTON

- STATE DEPARTMENT

p91
12/4/86
EC

N 7828

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12.30.86

VML

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p91
12/4/86
20

0930 8/14/86

Dai 9?

- CONTRA AIO
- Tabla



N 7829

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12.30.86

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Amir engine in down
down assets

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0930

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12.30.86 vml

Nicaragua Program
- "400M in addition"

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12/4/86
EG

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CG3 = 7/1/86

N 7831

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12.30.86

VML

P93
12/4/86
56

✓ NICARAGUA REVIEW WED CG30
- CASEY, SHULTZ, WEINBERGER

non relevant material
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12.30.86 VML

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0930 TUESDAY 5/27/86

Non relevant material deleted from this section 12.31
N 7832

- Notes
 - On's message
 - Book NYC 1400 FOR PRES FORD
 - Leave North & Care there

P 94
12/4/86
86

Non relevant material
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12.30.86

VML

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0930 5/23/86

✓ HOSTAGES
- ISODp95
1247
E

N 7833

Non relevant material
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VML**UNCLASSIFIED**MARY FERRELL
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093C 5/22/86

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vmc
12-30-86

N7834

- HOSTAGES
- ALLEN REPORT

R96
12/19/86
834

Non relevant material

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12-30-86

vmc

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3930 3/20/86

Done

✓ NICARAGUAN ASSISTANCE

- FLEXIBLE ON IMPLEMENTATION PLAN
- CALLS TODAY

N 7835

N 7835

has relevant information
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VMC
12.30.86

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0930 2/10/86

non relevant material deleted from this section
12.30.86 vml

✓ LETTERS TO CONTRAS N 7836
- SHOUT MEETING TODAY

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section

12.30.86
vml

• Hostages
- 17 FEB 500 TO IRAN

299
12/1/86
EG

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0930 1/22/86

Lone

FRED GETTENDENT

• HOSTAGE FAMILIES

- CHRISTMAS TREE LIGHTS DINNER

- LETTER

• COVERTNESS OF AID TO CONTRAS N7837

Non relevant material ~~deleted~~ from this
section

12-30-86 UML

P. 43
2-2-86P99
12/21/86

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1000

1/17/86

Sue

N 7838

• HOSTAGES

- ISRAEL TO IRAN REGARDING PRISONER
- NEW PLAN
 - SMITH DETERMINATION
 - 1000 WILL SUC
 - DOWNSIDE
- NEW FINDING
 - MEESE & CASEY APPROVE
 - SAUTE & WEINBERGER STILL REMAINED AGAINST

PROG
12/14/86
20

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VNL

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0930

1/16/86

N 7839

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12.30.86 Ume

not done

• JORDANIAN ARMS
1 MAR DATE

• HOSTAGES

• KILBOURN

• 4

- 100K , Fair MARKET VALUE, SAC & LIA

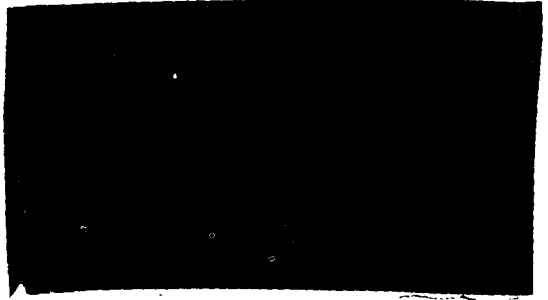
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P101
12/4/86
86

N 7840

UNCLASSIFIEDTHE WHITE HOUSE
WASHINGTON

6930 7 Jan 1986



H. STAGES

- SHOOT & WOUNDING
- JAILING FOR HOSTAGE
- ARMS TO ISRAEL
- CASEY & MOORE
- SHOOT THE FIRE MEETING

P102
12/11/86

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RES

VP

SALUTE

WEINBERGER

CASEY

MEADE

TECHN

JP

N 7841

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22 Jan 85

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IN

Total

(relevant portions)
N 8011 thru N 8016
< 6 pgs >

6/22/85



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30 APR 86

Dom 4/30/86 **UNCLASSIFIED**

N 288924

- ✗ Ask about contamination of food supplies and impact on future agricultural sales
- ✗ Day books for President
- ✗ Radio speech - Task ASFA & Summit
- ✗ Estimate of total contamination of world
- ✗ 1340 Meeting with President.
 - SOVIET ACCIDENT
 - HOSTAGES
 -

Partially Declassified
 under provisions of E.O. 12958
 by B. J. [illegible] National Security Council

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 30 APR 86MARY FERRELL
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15.05

FAMILY GROUP LUNCH

1/17/88 28893

- SOUTH YEMEN
- PHILIPPINES
- OPS IN MED
- ARMS SALES
- SOUTH AFRICA

9

- ☐ Future Agendas for FGL
- LONG RANGE.
 - LACH.

Partially Declassified
 on 1/28/88
 by P. [illegible] National Security Council

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IMP0012-5
 3/30/87
 86

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Unsubstantiated Charges

No Date

N 31027

EXHIBIT

- Circumvented Congress (on law) (by not having CIA involved)
- Administration top (Secrets confirmed) National Security Officials were not involved (or informed) and not guided on policy consequences
- .. DoD, State, JCS, CIA all excluded
- .. NSC id not be "operation"
- Arms for hostages is despicable and will invite (evidence) more hostages taking
- .. there are hostages in evidence
- Administration Officials have hypocrisies (with high moral tone) demanded that allies not sell arms to Iran while allies are under cover
- .. lied to Allies (duplicitous)
- .. can't trust word
- .. undermines anti-terrorist efforts
- Administration has violated neutrality in Iran-Iraq War (and appeared Ayatollah), risking shifting the precious balance
- .. double ~~double~~ ~~double~~ the moderate Arabs
- .. sided with Iran with disastrous foreign

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AKM000121

P29
12/1/76
EC

1/25/82

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N 31028

.. read the historical considerations
(Cann - for. history) has driven policy;
and why the strategic objectives.

Add: not legal? (Wallace et al)
NSC gets it alone (Lawrence)

AKW000122

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AKW000123

no date

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N 8025

IRAN POLICY REVIEW

- STRATEGIC IMPORTANCE OF IRAN
- OBJECTIVES

- MAKE CONTACT WITH MORE MODERATE elements in Iran and try to influence the ~~formation of a more moderate government~~
- Stop Iranian supported terrorism
- Get hostages released

- FINDINGS - JAN 1986

- CHANNELS - IRAN

- ISRAEL, GHORRANIFAR
- RAFTSANJANI

- CHANNELS - HOSTAGES

- NUMEROUS LEBANESE EFFORTS
-
- KUWAIT & DAWA PRISONERS

- ~~RECENT~~ ACTIONS TAKEN

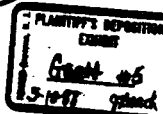
- McFARLANE MAY TRIP TO TEHRAN
- ~~COUNCIL OF IRAN RE SOUTHERN THREAT~~
- SOLD 1000 TDWS & 240 TYPES HAWK MISSILE BATTERY PARTS (DEFENSIVE)
- INTEL ORIENTED TOWARD FUTILITY OF WAR
- NUMEROUS MEETINGS IN EUROPE
- ONE MEETING IN US
- GOOD FAITH, NOT MILITARILY SIGNIFICANT

- RESULTS

- AFTER VIGOR, JENCO, JACOBSEN, ANDERSON, SOUTHWELL AND BUCKLEY NO MORE HOSTAGES FOR A YEAR
- THEN REED, CICCIPPIO, TAYLOR

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5088



- SOLID CONTACT WITH RAFSANJANI
- CONVINCED IRAN OF SOVIET THREAT
- MADE CASE TO IRAN THEY CAN'T WIN WAR
- TOLD WE ACCEPT THEIR REVOLUTION
- BUT MUST REMOVE OBSTACLE TO PROGRESS
 - POLICY ON TERRORISM - FATWAH
 - HOSTAGES MUST BE RETURNED

- THREE HOSTAGES BACK
→ -- WEIR, JENCO, JACOBSEN

- Factions

-- CONSERVATIVES (OPPOSED TO WAR,
INTERESTED IN US RELATIONSHIP
CLERICS, FM VELALATI

--- MIDDLE OF ROAD

RAFSANJANI, REVOLUTIONARY GUARD

-- RADICALS (TERRORISM, WAR, REVOLUT
PM MUSAVI, HASHEMI

-- MONTAZER

Haswari, Son

- *How...*

-- ARRESTED

- Exposure of Karsanjan

-- MONTAZZI - PAMPHLET

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3

N 8027

- MUSAVI CANCEL

- RAHSANIANI SPEAKS OUT

-- COVERING HIS BACK SIDE

-- DELIBERATE ERRORS

-- DENIABILITY

-- DOMESTIC CONSUMPTION

-- WANTS TO CONTINUE

-- APPRECIATES NO COMMENT

o ISRAEL

- SLIGHTLY DIFFERENT OBJECTIVES

- PROBABLY SHIPPED MORE

- HOW WE STUMBLED ON TO IT

- PERES, SHAMIR, RABIN

o MODERATE ARABS

- IRAN-IRAQ WAR

NEGOTIATED SETTLEMENT

HONORABLE END

TERRITORIAL INTEGRITY

NO CHANGE

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4

N 8028


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- ALLIES

- SKIRTS NOT CLEAN
- STILL HAVE EMBARGO AND OPPOSE ARMS

- PLANNING

- OPERATIONAL CHANNEL
- LONG TERM STRATEGY CHANNEL
- SANITIZING INTEL
- HOSTAGE RESCUE

No.

- USG

- EXECUTIVE

TOO MUCH TALK - ONE OF REASONS
RESTRICTED INFO

- CONGRESS

BYRD, DOLE, LUGAR, HATCH, DURKEE, BURGESS
FASCELL, HAMILTON, HYDE, WRIGHT

- WORKING ON TESTIMONY

- STATEMENTS

- INTEL COMMITTEES

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copy this together for me

No Date

IRAN

J

N 7514

Portion Declassified; released on 4/25/88
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 by R. Abner, National Security Council

5289

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TOP SECRET

UNCLASSIFIED SECRETSENSITIVERELEASE OF AMERICAN HOSTAGES IN BEIRUT N 7515

Background. In June 1985, private American and Israeli citizens commenced an operation to effect the release of the American hostages in Beirut in exchange for providing certain factions in Iran with U.S.-origin Israeli military materiel. By September, U.S. and Israeli Government officials became involved in this endeavor in order to ensure that the USG would:

- not object to the Israeli transfer of embargoed materiel to Iran;
- sell replacement items to Israel as replenishment for like items sold to Iran by Israel.

On September 3, the Israeli Government, with the endorsement of the USG, transferred 508 basic TOW missiles to Iran. Forty-eight hours later, Reverend Benjamin Weir was released in Beirut.

Subsequent efforts by both governments to continue this process have met with frustration due to the need to communicate our intentions through an Iranian expatriate arms dealer in Europe. In January 1986, under the provisions of a new Covert Action Finding, the USG demanded a meeting with responsible Iranian government officials.

On February 20, a U.S. Government official met with [REDACTED]

the first direct U.S.-Iranian contact in over five years. At this meeting, the U.S. side made an effort to refocus Iranian attention on the threat posed by the Soviet Union and the need to establish a longer term relationship between our two countries based on more than arms transactions. It was emphasized that the hostage issue was a "hurdle" which must be crossed before this improved relationship could prosper. During the meeting, it also became apparent that our conditions/demands had not been accurately transmitted to the Iranian Government by the intermediary and it was agreed that:

- The USG would establish its good faith and bona fides by immediately providing 1,000 TOW missiles for sale to Iran. This transaction was covertly completed on February 21, using a private U.S. firm and the Israelis as intermediaries.
- A subsequent meeting would be held in Iran with senior U.S. and Iranian officials during which the U.S. hostages would be released.
- Immediately after the hostages were safely in our hands, the U.S. would sell an additional 3,000 TOW missiles to Iran using the same procedures employed during the September 1985 transfer.

UNCLASSIFIED**UNCLASSIFIED**SENSITIVE

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TOP SECRET **UNCLASSIFIED** SECRET

2

SENSITIVE

N 7516

In early March, the Iranian expatriate intermediary demanded that Iranian conditions for release of the hostages now included the prior sale of 200 PHOENIX missiles and an unspecified number of HARPOON missiles, in addition to the 3,000 TOWs which would be delivered after the hostages were released. A subsequent meeting was held with the intermediary in Paris on March 8, wherein it was explained that the requirement for prior deliveries violated the understandings reached in Frankfurt on February 20, and were therefore unacceptable. It was further noted that the Iranian aircraft and ship launchers for these missiles were in such disrepair that the missiles could not be launched even if provide

From March 9 until March 30, there was no further effort undertaken on our behalf to contact the Iranian Government or the intermediary. On March 26, [REDACTED] made an unsolicited call to the phone-drop in Maryland which we had established for this purpose. [REDACTED] asked why we had not been in contact and urged that we proceed expeditiously since the situation in Beirut was deteriorating rapidly. He was informed by our Farsi-speaking interpreter that the conditions requiring additional materiel beyond the 3,000 TOWs were unacceptable and that we could in no case provide anything else prior to the release of our hostages. [REDACTED] observed that we were correct in our assessment of their inability to use PHOENIX and HARPOON missiles and that the most urgent requirement that Iran had was to place their current HAWK missile inventory in working condition. In a subsequent phone call, we agreed to discuss this matter with him and he indicated that he would prepare an inventory of parts required to make their HAWK systems operational. This parts list was received on March 28, and verified by CIA.

Current Situation. On April 3, Ari Gorbanifahr, the Iranian intermediary, arrived in Washington, D.C. with instructions from [REDACTED] to consummate final arrangements for the return of the hostages. Gorbanifahr was reportedly enfranchised to negotiate the types, quantities, and delivery procedures for materiel the U.S. would sell to Iran through Israel. The meeting lasted nearly all night on April 3-4, and involved numerous calls to Tehran. [REDACTED]

[REDACTED] A Farsi-speaking CIA officer in attendance was able to verify the substance of his calls to Tehran during the meeting. Subject to Presidential approval, it was agreed to proceed as follows:

- By Monday, April 7, the Iranian Government will transfer \$17 million to an Israeli account in Switzerland. The Israelis will, in turn, transfer to a private U.S. corporation account in Switzerland the sum of \$15 million.

TOP SECRET **UNCLASSIFIED** SECRETSENSITIVEMARY FERRELL
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UNCLASSIFIED UP SECRET

SENSITIVE

N 7517

- On Tuesday, April 8 (or as soon as the transactions are verified), the private U.S. corporation will transfer \$3.651 million to a CIA account in Switzerland. CIA will then transfer this sum to a covert Department of the Army account in the U.S.
- On Wednesday, April 9, the CIA will commence procuring \$3.651 million worth of HAWK missile parts (240 separate line items) and transferring these parts to [REDACTED]. This process is estimated to take seven working days.
- On Friday, April 18, a private U.S. aircraft (707B) will pick-up the HAWK missile parts [REDACTED] and fly them to a covert Israeli airfield for prepositioning (this field was used for the earlier delivery of the 1000 TOWs). At this field, the parts will be transferred to an Israeli Defense Forces' (IDF) aircraft with false markings. A SATCOM capability will be positioned at this location.
- On Saturday, April 19, McFarlane, North, Teicher, Cave, [REDACTED] and a SATCOM communicator will board a CIA aircraft in Frankfurt, Germany, enroute to Tehran. [REDACTED]
- On Sunday, April 20, the following series of events will occur:
 - U.S. party arrives Tehran (A-hour) -- met by Rafsanjani, as head of the Iranian delegation.
 - At A+7 hours, the U.S. hostages will be released in Beirut.
 - At A+15 hours, the IDF aircraft with the HAWK missile parts aboard will land at Bandar Abbas, Iran.

Discussion. The following points are relevant to this transaction, the discussions in Iran, and the establishment of a broader relationship between the United States and Iran:

- The Iranians have been told that our presence in Iran is a "holy commitment" on the part of the USG that we are sincere and can be trusted. There is great distrust of the U.S. among the various Iranian parties involved. Without our presence on the ground in Iran, they will not believe that we will fulfill our end of the bargain after the hostages are released.

TOP SECRET

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SENSITIVE

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UNCLASSIFIED TO UNCLASSIFIED

SENSITIVE

N 7518

- [REDACTED] Gorbanifahr specifically mentioned that Qhadhaffi's efforts to "buy" the hostages could succeed in the near future. Further, the Iranians are well aware that the situation in Beirut is deteriorating rapidly and that the ability of the IRGC to effect the release of the hostages will become increasingly more difficult over time.
- We have convinced the Iranians of a significant near term and long range threat from the Soviet Union. We have real and deceptive intelligence to demonstrate this threat during the visit. They have expressed considerable interest in this matter as part of the longer term relationship.
- [REDACTED]
- The Iranians have been told that their provision of assistance to Nicaragua is unacceptable to us and they have agreed to discuss this matter in Tehran.
- We have further indicated to the Iranians that we wish to discuss steps leading to a cessation of hostilities between Iran and Iraq. [REDACTED]
- The Iranians are well aware that their most immediate needs are for technical assistance in maintaining their air force and navy. We should expect that they will raise this issue during the discussions in Tehran. Further conversation with Gorbanifahr on April 4, indicates that they will want to raise the matter of the original 3,000 TOWs as a significant deterrent to a potential Soviet move against Iran. They have also suggested that, if agreement is reached to provide the TOWs, [REDACTED]
- The Iranians have been told and agreed that they will receive neither blame nor credit for the seizure/release of the hostages. [REDACTED]

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TOP SECRET

5

SENSITIVE

N 7519

-- The residual funds from this transaction are allocated as follows:

- \$2 million will be used to purchase replacement TOWs for the original 508 sold by Israel to Iran for the release of Benjamin Weir. This is the only way that we have found to meet our commitment to replenish these stocks.
- \$12 million will be used to purchase critically needed supplies for the Nicaraguan Democratic Resistance Forces. This materiel is essential to cover shortages in resistance inventories resulting from their current offensives and Sandinista counter-attacks and to "bridge" the period between now and when Congressionally approved lethal assistance (beyond the \$25 million in "defensive" arms) can be delivered.

The ultimate objective in the trip to Tehran is to commence the process of improving U.S.-Iranian relations. Both sides are aware that the Iran-Iraq War is a major factor that must be discussed. We should not, however, view this meeting as a session which will result in immediate Iranian agreement to proceed with a settlement with Iraq. Rather, this meeting, the first high-level U.S.-Iranian contact in five years, should be seen as a chance to move in this direction. These discussions, as well as follow-on talks, should be governed by the Terms of Reference (TOR) (Tab A) with the recognition that this is, hopefully, the first of many meetings and that the hostage issue, once behind us, improves the opportunities for this relationship.

Finally, we should recognize that the Iranians will undoubtedly want to discuss additional arms and commercial transactions as "quids" for accommodating [REDACTED] Nicaragua, and Iraq. Our emphasis on the Soviet military and subversive threat, a useful mechanism in bringing them to agreement on the hostage issue, has also served to increase their desire for means to protect themselves against/deter the Soviets.

RECOMMENDATION

That the President approve the structure depicted above under "Current Situation" and the Terms of Reference at Tab A.

Approve _____

Disapprove _____

Attachment

Tab A - U.S.-Iranian Terms of Reference

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April 4, 1986

TERMS OF REFERENCE
U.S.-Iran Dialogue

N 7520

I. BASIC PILLARS OF U.S. FOREIGN POLICY (Optional)

- President Reagan came into office at a time when Iran had had a certain impact on the American political process -- perhaps not what you intended.
- The President represented and embodied America's recovery from a period of weakness. He has rebuilt American military and economic strength.
- Most important, he has restored American will and self-confidence. The U.S. is not afraid to use its power in defense of its interests. We are not intimidated by Soviet pressures, whether on arms control or Angola or Central America or Afghanistan.
- At the same time, we are prepared to resolve political problems on the basis of reciprocity.
- We see many international trends -- economic, technological, and political -- working in our favor.

II. U.S. POLICY TOWARD IRAN: BASIC PRINCIPLESA. U.S. Assessment of Iranian Policy.

- We view the Iranian revolution as a fact. The U.S. is not trying to turn the clock back.
- Our present attitude to Iran is not a product of prejudice or emotion, but a clear-eyed assessment of Iran's present policies.
- Iran has used "revolutionary Islam" as a weapon to undermine pro-Western governments and American interests throughout the Middle East. As long as this is Iran's policy, we are bound to be strategic adversaries.
- Support of terrorism and hostage-taking is part of this strategic pattern. We see it used not only against us, but against our friends. We cannot accept either. Your influence in achieving the release of all hostages return of those killed (over time) is essential.

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FOUNDATION

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N 7521

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- We see your activity in many parts of the world, including even Central America.
- The U.S. knows how Iran views the Soviet Union. But subversion of Western interests and friends objectively serves Soviet interests on a global scale.
- Thus, our assessment is that a decisive Iranian victory in the war with Iraq would only unleash greater regional instability, a further erosion of the Western position, and enhanced opportunities for Soviet trouble-making.
- The U.S. will therefore do what it can to prevent such a development. We regard the war as dangerous in many respects and would like to see an end to it.

B. Possible Intersections of U.S.-Iranian Interests.

- Despite fundamental conflicts, we perceive several possible intersections of U.S. and Iranian interests. I propose we explore these areas.
- First, the U.S. has had a traditional interest in seeing Iran preserve its territorial integrity and independence. This has not changed. The U.S. opposes Soviet designs on Iran.
- Second, we have no interest in an Iraqi victory over Iran. [REDACTED] We are seeking an end to this conflict and want to use an improved relationship with Iran to further that end.
- Third, we have parallel views on Afghanistan. Soviet policy there is naked aggression, a threat to all in the region. [REDACTED] But our objective is the same: the Soviets must get out and let the Afghan people choose their own course.

C. U.S. Objective Today.

- We have no illusions about what is possible in our bilateral relations. Perhaps this meeting will reveal only a limited, momentary, tactical coincidence of interests. Perhaps more. We are prepared either way.
- In essence, we are prepared to have whatever kind of relationship with Iran that Iran is prepared to have with us.

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N 7522

III. SOVIET MILITARY POSTURE

- Moscow has designs on parts of Iran. [REDACTED]
- Afghanistan illustrates the price the Soviets are ready to pay to expand areas under their direct control.
- Summarize Soviet capabilities along border and inside Afghanistan which could threaten Tehran.
- U.S. is aware of Soviet activity [REDACTED]
- Soviet plans [REDACTED] How they would do it.
- Iranian support to Sandinista regime in Nicaragua aids and abets Soviet designs -- makes U.S.-Iranian relationship more difficult (\$100 million in oil last year, plus arms).
- U.S. can help Iran cope with Soviet threat.

IV. AFGHANISTAN

- May be real value for Iran and U.S. to find ways to cooperate against Moscow in Afghanistan.
- U.S. can provide humanitarian assistance for refugees [REDACTED]
- We need to know who you work with, what you already provide and devise strategy to exploit Iranian comparative advantage.

V. HARDWARE

- We may be prepared to resume a limited military supply relationship.
- However, its evolution and ultimate scope will depend on whether our convergent or our divergent interests come to loom larger in the overall picture.
- What does Iran want?

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29 JAN 85

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N 5362

ODSM1/29/85

- ☒ Check on summary sheet for Compliance.
- ☒ Call Ken Dam on C.A. strategy.
- ☐ What is the real story on FDN situation.

☒ODSM1/30/8

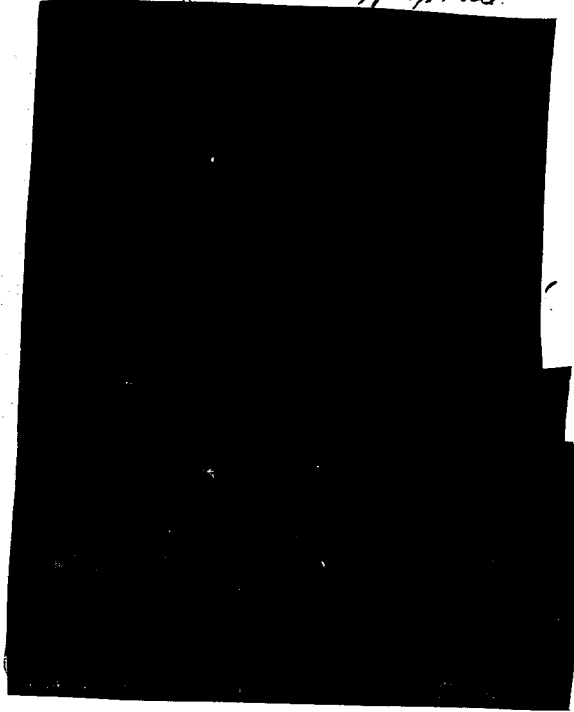
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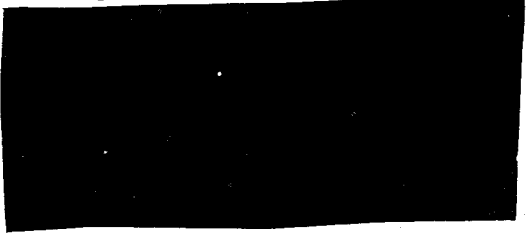
trans in 1985 appears. bill.**UNCLASSIFIED**MARY FERRELL
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N 5364

~~Are Economic Sanctions~~~~00SM~~

3/25/85



Meeting with President 0930

- Discussed spending Budget
- private aid to Contras
- and sound our plan.
- 3rd country assistance
- non-lethal aid
- intelligence restrictions
- private humanitarian aid.

17 Tell Bud about Dick Walters.

2132
11/21/88
EY

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11/25/88

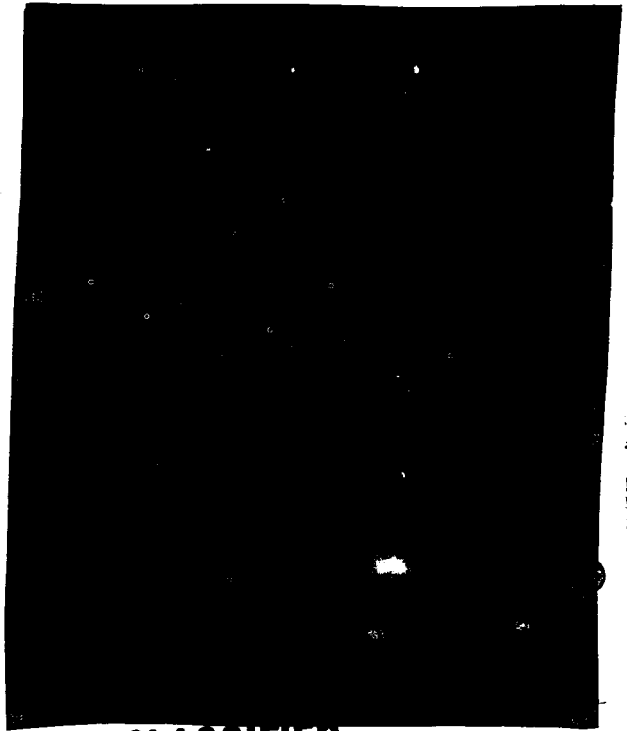
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3/26/85



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(white only)

4/25/88

23 MAY 86

N 28884

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Ray,

5/23

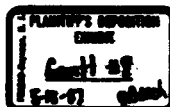
Please draft a short cover memo for the President and a response to include the following:

- Admit the problems of the past including the mistakes made in court.
- Point out factual errors when they exist.
- Summarize the review conducted end of 1985 and the unanimous commitment by cabinet officers in Jan 86 and our campaign to get funds.
- Describe the mood on the Hill and our inability so far to break the funds loose.
- Admit the error in appointing Motley.
- Now things work under Abrah

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N 28885

*I suspect this is pure
hunger.*

UNCLASSIFIED*J***UNCLASSIFIED**

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No Date

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1) IRAN

N 7606

- various factions
- meet again and insist on all factions

2) CAPTORS

3)

4) CONGRESSIONAL

5) MEDIA

- No comment

6) EUROPEAN ALLIES

- Not sure

7) ISRAEL

- No keep quiet

8) USG

- long term strategy for Iran

9)

- Very few people that know everything
- Works up Congressional testimony for intelligence committees
- emphasis on long term strategy

✱

✱ Talk to Oller about details

□ Call Lee Hamilton

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 PLANTIFF'S REPORTS
 COURT
 Court #9

UNCLASSIFIED

NAME: HIR077000

PAGE 1

2A

1 RPTS CANTOR

2 DCMN DONOCK

3

4 DEPOSITION OF ELLEN CLAYTON GARNOCK

5

6 Wednesday, March 18, 1987

7

8 House of Representatives,

9 Select Committee to Investigate

10 Covert Arms Transactions with

11 Iran,

12 Washington, D.C.

13

14 The select committee met, pursuant to call, at 11:00 a.m.,

15 in Room B-336, Rayburn House Office Building.

16 Present: Thomas Fryman, Staff Attorney; George W. Van

17 Cleve, Chief Minority Counsel; Ken Buck, Minority Counsel,

18 House Select Committee to Investigate Covert Arms

19 Transactions with Iran

20 James Kaplan, Associate Counsel and Timothy Woodcock,

21 Senate Select Committee on Secret Military Assistance to

22 Iran and the Nicaraguan Contras.

23 Also Present: Duncan E. Osborne and Tom Loeffler, on

24 behalf of the witness.

25 Whereupon,

ORIGINAL

CORRECTED

Partially Declassified/Released on 12/28/98

under provisions of E.O. 12356

by D. Sisko, National Security Council

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NAME: N1R077000

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PAGE 2

26 ELLEN CLAYTON GARWOOD

27 was called as a witness and, having been duly sworn, was
 28 examined and testified as follows:

29

30 MR. FRYMAN: On the record.

31 BY MR. FRYMAN:

32 Q Will you state your name for the record?

33 A Ellen Clayton Garwood, Mrs. St. John Garwood.

34 Q Mrs. Garwood, what is your address?

35 A [REDACTED] Austin, Texas 78701.

36 Q Are you appearing here today pursuant to a subpoena?

37 A Yes.

38 Q I ask the reporter to mark this document as Garwood
 39 Deposition 1, for identification.

40 [The following document was marked as Garwood

41 Exhibit 1 for identification:]

42

43 ***** COMMITTEE INSERT *****

privacy

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PAGE 3

44 . BY MR. FRYMAN:

45 . Q I show you Garwood Exhibit 1 for identification, and

46 ask you to look at that and tell me if that is a copy of the

47 subpoena that was served on you?

48 . A It looks like it.

49 . Q Would you look at the attachment also?

50 . A Yes.

51 . Q Thank you.

52 . Mrs. Garwood, are you a widow?

53 . A Yes.

54 . Q And what was your husband's occupation?

55 . A He was a Judge of the Supreme Court of Texas, and he

56 retired. He was a Judge from 1948 to 1958 on the Supreme

57 Court of Texas.

58 . Q And would you state for the record your educational

59 background?

60 . A I went to Smith College to get a B.A. in English,

61 and later I went to the University of Texas and got my

62 Master's in English, after we moved to Austin, which was

63 about 1949-1951.

64 . Q Have you ever published any articles or books?

65 . A I have published books and an article or so, and

66 some short stories.

67 . Q How many books have you published?

68 . A Three.

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PAGE 4

69 . Q Could you identify the books?

70 . A Yes. You want me to tell you the names?

71 . Q Yes, would you tell me the names?

72 . A "Will Clayton, A Short Biography." That was

73 published by the University of Texas in 1948. No, excuse

74 me, 1958, then "Come to Me, ~~Maeghan~~^{Maeghan}," which was published

75 about two years ago, a novel, and "The Undying Flame,

76 Marian~~Camé~~ Moreno of Buenos Aires," which was published in

77 the spring of 1986.

78 . Q And I believe you stated you have also published

79 articles?

80 . A Yes. I published an article on early Texas

81 ~~Independence~~^{Independence} in the Southwestern Historical Quarterly, I

82 think around 1950 or so, and I wrote some historical

83 articles also for the Houston Chronicle, around the same

84 time.

85 . Q Mrs. Garwood, after receiving the subpoena which

86 calls for production of various categories of documents,

87 would you state what steps you had taken to collect the

88 documents called for in the subpoena?

89 . A A good example of the documents called for in the

90 subpoena, I didn't have, it seems to me. The other things

91 like the copy of cancelled checks or the cancelled checks

92 and the correspondence and brochures I went about

93 collecting.

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PAGE 5

94 . My lawyer collected the cancelled checks, Duncan,
95 and I checked the brochures and the correspondence and
96 anything else that was called for.
97 . Q And did you give your lawyer, Mr. Osborne, a copy of
98 the subpoena?
99 . A Yes.
100 . Q And you asked him to collect any basic material that
101 was called for in there; is that correct?
102 . A Yes, that is right.
103 . Q And am I correct in understanding the correspondence
104 you collected yourself?
105 . A Well, the correspondence, yes, I collected. I
106 already had it collected, and I gave copies of it to Mr.
107 Osborne.
108 . MR. FRYMAN: I would ask the reporter to mark as
109 Garwood Exhibit 2 for identification a collection of
110 documents headed by a typewritten financial schedule with
111 the phrase, "American Conservative Foundation," on the
112 first line.
113 . [The following document was marked as Garwood
114 Exhibit 2 for identification:]
115
116 ***** COMMITTEE INSERT *****

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117 MR. FRYMAN: I ask the reporter to mark as Garwood
118 Exhibit 3 for identification a collection of documents, the
119 first page of which is a mailgram directed to Ellen and St.
120 John Garwood.
121 [The following document was marked as Garwood
122 Exhibit 3 for identification:]
123
124 ***** COMMITTEE INSERT *****

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125 . MR. FRYMAN: I ask the reporter to mark as Garwood
126 Exhibit 4 for identification a collection of documents, the
127 first page of which is a letter dated December 7, 1981 to
128 Western Goals Endowment Fund.
129 . [The following document was marked as Garwood
130 Exhibit 4 for identification:]
131
132 ***** COMMITTEE INSERT *****

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133 . BY MR. FRYMAN:

134 . Q Mrs. Garwood, I ask you and your attorney, Mr.
135 Osborne, to look at Garwood Exhibits 2, 3 and 4 for
136 identification, and tell me if those are the documents that
137 you have together collected in response to the subpoena and
138 previously produced to staff counsel to the House Committee?

139 . Mrs. Garwood, you and your counsel have had an
140 opportunity to review Garwood Exhibits 2, 3, and 4. Do
141 those exhibits contain copies of documents either in your
142 possession or financial materials relating to your bank
143 accounts that were collected at your direction?

144 . A They do, yes.

145 . Q And are only those two categories of materials in
146 those exhibits, i.e., those exhibits compose exclusively
147 either documents that were in your possession or financial
148 materials at your direction relating to your accounts?

149 . A Yes.

150 . Q And is it your belief that Garwood Exhibits 2, 3,
151 and 4 contain copies of all of the documents in your
152 possession or under your control that were called for in the
153 exhibits or attachments to the subpoena that was served upon
154 you, which is Garwood Exhibit 1?

155 . A Yes, sir.

156 . Q Mrs. Garwood, some of the materials in Garwood
157 Exhibit 2 relate to a bank account at the Interfirst Bank in

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158 Austin, Texas. Do you have bank accounts at any bank other
159 than that bank?

160 . A. No, not that I know of.

161 . Q And how many accounts do you or entities that are
162 related to you are there at that bank?

163 . A The account, I only have one account that I write
164 checks on. That is the only one I know.

165 . Q And do you have any foundations with which you are
166 associated?

167 . A Yes.

168 . Q And what is the name?

169 . A The Patrick Henry Foundation.

170 . Q Is that the only foundation?

171 . A Yes, sir.

172 . Q And does that foundation have an account also at the
173 Interfirst Bank?

174 . A Yes.

175 . Q Does it have accounts at any other bank?

176 . A I don't think so.

177 . Q So, so far as you know, all of your financial
178 transactions insofar as they involve a bank are conducted
179 through the Interfirst Bank in Austin?

180 . A Yes.

181 . Q Is that correct?

182 . A That is right.

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183 . Q Mrs. Garwood, do you know an individual named Oliver
184 North?
185 . A Yes, sir.
186 . Q When did you first meet Mr. North?
187 . A I met Mr. North in May of 1984 at Williamsburg, at a
188 meeting of a group that I belong to, a conservative group,
189 at the swimming pool.
190 . Q What was the name of the group?
191 . A It was the Council for National Policy.
192 . Q And what was the nature of this meeting?
193 . A It meets four times a year, and they are all
194 interested in policy, in the national policy--a conservative
195 type of national policy.
196 . Q Who introduced you to Mr. North?
197 . A Mr. Andy Messing.
198 . Q Was this a meeting that went on for several days at
199 Williamsburg?
200 . A It goes on for a ^{couple}~~several~~ of days, usually.
201 . Q And how long did you meet with Mr. North on this
202 first occasion?
203 . A I would say about 15 minutes.
204 . Q And was it just you, Mr. North and Mr. Messing that
205 were present, or were other present?
206 . A There were other people all around the swimming
207 pool, and we were just in the little group, you know, by

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208 ourselves, but there were many people around the pool.

209 Q Was it just the three of you in the group, or were

210 others in the group?

211 A No, there were no others in the group, just the

212 three of us.

213 Q And what was the subject matter of the conversation

214 between the three of you?

215 A I think it was social, you know, "It is good to be

216 here in the summer or in the spring and be able to swim,"

217 things of that sort. It really wasn't political.

218 Q There was no discussion of American foreign policy

219 or any national policy issue at that first meeting?

220 A I don't remember if there were. I don't think so.

221 Q Have you met Mr. North since that occasion?

222 A Yes.

223 Q In May of 1984? Do you recall the next occasion?

224 A The next occasion, I must look at my little list

225 here. It must have been in June of 1985 and there was a

226 meeting of contributors to Mr. Channell's organizations in

227 Washington, and I was there for that reason.

228 Q And where was that meeting?

229 A That was at the Hay-Adams Hotel. There was

230 possibly, and I am not sure of this, a White House briefing

231 at that time, too, but I think there was, and it was over in

232 the Executive Office Building.

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233 . Q And how long did you spend with Mr. North at this
234 meeting in June of 1985?

235 . A Oh, probably 20 or 30 minutes, something like that.
236 . MR. OSBORNE: Off the record.
237 . [Discussion off the record.]
238 . MR. FRYMAN: Back on the record.
239 . BY MR. FRYMAN:

240 . Q Mrs. Garwood, I have been asking you about your
241 second meeting with Mr. North, and you indicated you thought
242 it occurred in June of 1985. Are you certain that that was
243 the month of the meeting or might it have been in that
244 general period?

245 . A It might have been in the general summer of 1985.
246 It could have been in August. I am not sure. I know I have
247 a travel notation that I went to Washington in June, but it
248 could have been that I also went in August.

249 . Q And you recall that this meeting was at the Hay-
250 Adams Hotel?

251 . A Yes.

252 . Q And your meeting with Mr. North was approximately 20
253 minutes, I believe you said?

254 . A Yes, in his office.

255 . Q Did you meet with Mr. North both at the Hotel and at
256 his office?

257 . A I don't remember if he were at the Hotel or not. I

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258 | remember one meeting when he did come to the Hotel, but I am
259 | not sure whether it was this meeting or not, but to just
260 | talk socially to the group of contributors.

261 | . Q But, the substantive meeting with Mr. North, if I
262 | might describe it that way?

263 | . A Yes.

264 | . Q Occurred at his office?

265 | . A At his office.

266 | . Q On this occasion?

267 | . A Yes.

268 | . Q And who else was present at that meeting?

269 | . A Mr. Channell took me over there to Colonel North's
270 | office.

271 | . Q Had you known in advance that you were going to be
272 | meeting with Mr. North?

273 | . A I don't remember. I doubt it.

274 | . Q So, you recall what Mr. Channell said about the
275 | meeting before he took you over there?

276 | . A "I want you to meet Colonel North." I am not sure
277 | exactly, but I know more or less that Colonel North--well, I
278 | knew already that he had planned Grenada. Andy Messing had
279 | told me that, and so I knew he was interested in freedom
280 | fighters and the democratic resistance in Nicaragua.

281 | . I knew that in a vague general way.

282 | . Q So, Mr. Channell then took you over to Mr. North's

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283 office?

284 . A Yes.

285 . Q And the three of you met for approximately 20
286 minutes, as you recall?

287 . A Approximately 20 minutes.

288 . Q What was the subject matter of that discussion?

289 . A As I remember, he showed us a map of Nicaragua, of
290 Central America really, and showed the advances that had
291 been made by the freedom fighters, and that was the general
292 discussion of freedom fighters, the cause of freeing
293 Nicaragua of the communist Sandinistas.

294 . More than that, I really don't remember.

295 . Q Was there any discussion of American support for the
296 contras?297 . A No, because I think we all realized that the
298 Administration was supporting this resistance movement.299 . Q Was there any discussion of any lack of military
300 supplies or other supplies?

301 . A No, sir, there was not.

302 . Q Was there any discussion during this meeting of any
303 contribution that you might make in any way to the contra
304 cause?305 . A I don't remember. I don't think so. Colonel North
306 never discussed or never asked me for a donation. If there
307 were discussion of this, it would have been after we had**UNCLASSIFIED**MARY FERRELL
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308 left Colonel North's office between Mr. Channell and myself.

309 . Q On this occasion in June of 1985, did you have any

310 discussion of that sort with Mr. Channell after you left

311 Colonel North?

312 . A There was probably discussion. There was always--one

313 of the purposes of the contributors to Mr. Channell's

314 organizations was to help the resistance movement and, you

315 know, help with humanitarian aid for the resistance fighters

316 against the Sandinista Government. This was generally

317 understand, I think.

318 . Q Did Mr. Channell use the phrase in discussions with

319 you, "humanitarian aid"?

320 . A Yes, the President had used it, and we had also used

321 it.

322 . Q What did you understand that to mean?

323 . A I understood it to mean things like medicine and

324 food, perhaps primarily food, and boots and clothing, and

325 perhaps the transport of the supplies in boats or trucks,

326 things of that nature, ambulance supply.

327 . Q Did you understand that any of the funds that were

328 being contributed to Mr. Channell's organization were ever

329 being used for any publicity purposes within the United

330 States?

331 . A No. Well, some of his organizations, yes, but later

332 on, not at this meeting, but later on, it did develop about

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333 the time when there were going to be new elections for
334 Congress, that he would use the records of the Congressmen
335 in ads to influence the voters in their evaluation of the
336 Congressmen.

337 . 2 And what point in time was that?

338 . 1 It would have been somewhere ~~early~~, when there were
E.G. 339 elections ~~like 1986~~, maybe about a year or six months before
340 1986, at the time when there were going to be Congressional
341 elections, close to it.

342 . 2 And one of the purposes of the funds in his
343 organization was to use those funds for publicity or
344 information purposes in connection with those campaigns?

345 . 1 This is true, yes.

346 . 2 And another purpose throughout the period was what
347 you understood as humanitarian aid to the contras?

348 . 1 Yes, sir.

349 . 2 Going back, Mrs. Garwood, to the chronological
350 history of the meetings with Mr. North, the second meeting
351 we have been talking about occurred in Mr. North's office.
352 When was the next occasion which you met with Mr. North?

353 . 1 It seems to me the next occasion was in Dallas, when
354 I was meeting with the United States Council for World
355 Freedom, another organization that helps freedom fighters
356 all over the world, in other countries as well, Afghanistan,
357 Angola.

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358 . Q And was this a meeting of the U.S. Council that
359 extended over several days?

360 . A It was, yes.

361 . Q And how long was Mr. North there?

362 . A Well, he was only there--he wasn't at the meeting.
363 We met him--Mr. Channell appeared at the meeting, and I was
364 surprised that he had come. He evidently knew I was there,
365 and wanted to get me into contact with Colonel North, and
366 told me that he wanted to take me that evening after dinner
367 to the airport, where Colonel North was going to be stopping
368 on his way somewhere else.

369 . Q So, you met at the airport in Dallas?

370 . A Yes, at an airport there, a small airport.

371 . Q And that was you, Mr. Channell and Mr. North?

372 . A And Mr. North, and Mr. Colero was there also. He
373 was a member or a delegate to the general meeting, you know,
374 the U.S. Council of World Freedom meeting, Mr. Colero was.

375 . Q What was Mr. Colero's full name?

376 . A Adolfo Colero.

377 . Q And what was his position?

378 . A Well, we know that he was the head, one of the heads
379 it turned out later, of the FDM, the democratic resistance
380 of Nicaragua, Nicaraguan democratic resistance.

381 . Q So, the meeting at the airport was with the four of
382 you?

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383 . A Yes, and there was someone else there whom I don't
384 remember, probably an official maybe.

385 . Q And approximately when was this meeting?

386 . A This was in September of 1985.

387 . Q And about how long did this meeting with Mr. North
388 and Mr. Colero last?

389 . A And Mr. Channell. It was about, I would say, it was
390 around a half an hour meeting.

391 . Q What was the subject matter at this meeting?

392 . A As I remember it, it was that some of the supplies
393 that had been voted for the ^{Contras} ~~contras~~ were not arriving, and
394 they were being held back. They didn't have trucks to take
395 them across the border.

396 . I understand it was from Honduras to Nicaragua, and
397 there was some State Department directive that had held
398 everything up, and that wouldn't allow them over in trucks,
399 or wouldn't supply trucks, and they needed to buy trucks to
400 get them over.

401 . Q What sort of supplies were they talking about?

402 . A Well, they were talking about supplies for the
403 existence of these people, like humanitarian supplies, you
404 know.

405 . Q Were they talking about arms, also?

406 . A No, they were not.

407 . Q So, they were only talking about trucks to

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408 transport?

409 . A Yes.

410 . Q Boots and medicine, as you understand it?

411 . A Yes. As I understand it, the supplies had already

412 been approved by the State Department, but the way to take

413 them over was not, for some ridiculous reason, and so they

414 were in a tight situation, where the supplies were there,

415 but couldn't get across the border.

416 . Q And were they asking for any assistance from you?

417 . A Well, the general tenor of the thing was that

418 assistance was needed, and directly asked me.

419 . Q Did you meet with Mr. Channell alone after the

420 meeting with Mr. North and Mr. Colero?

421 . A Oh, yes, Colonel North left and then Mr. Channell

422 took me back in a taxi to Dallas, outside of Dallas, and

423 then he said, "You know, you can help. It will cost so

424 much, and can you help with that?"

425 . And I said I would.

426 . Q Did he ask for any specific sum of money?

427 . A He always did ask for a specific sum, yes. He asked

428 for 32,000, as I remember.

429 . Q Did he specify how you should make the contribution?

430 . A To his organization, NEPL?

431 . Q After the meeting which I believe is the third

432 meeting you described with Mr. North in September 1985 at

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433 | the airport outside Dallas--

434 | . A That is right.

435 | . Q When did you next meet with Mr. North?

436 | . A I have in my memory that it was in January of 1986.

437 | . Q And where was that meeting?

438 | . A We had a briefing at the White House, and I think

439 | the meeting--as a rule, we were put up at the Hay-Adams, and

440 | there was a briefing at the White House where Colonel North

441 | spoke, Elliot Abrams, Assistant Secretary of State for Latin

442 | America spoke, and President Reagan spoke.

443 | . Q How many people approximately were in this group?

444 | . A Well, there was a long table about twice as long as

445 | this, and they went all around the table this way and that

446 | way, so I would say about 24 maybe, something like that, 20.

447 | . Q And the three speakers at the meeting were North,

448 | Abrams and the President?

449 | . A That is what I remember.

450 | . Q And how long did this briefing last?

451 | . A I would say about an hour and a half, something like

452 | that.

453 | . Q Did you speak alone with Mr. North at any point

454 | during this day?

455 | . A Not then, no, no.

456 | . Q What was the subject matter of the briefing?

457 | . A The briefing was about the situation in Central

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458 America and the danger of another Cuba being set up in the
459 Western Hemisphere, and the fact that there was a popular
460 resistance democratic movement trying to stop this, and to
461 overthrow the communist-dominated government, which has
462 betrayed the so-called revolution against Somoza, by not
463 being a popular revolution or democratic, being communistic
464 instead, and the general situation of the danger of this
465 sort of thing happening in Central America, and the way the
466 Administration hoped to be able to prevent it.

467 . Q Was Mr. North the first speaker?

468 . A I think he was, yes.

469 . Q And then Mr. Abrams?

470 . A Yes.

471 . Q And then the President?

472 . A And then the President, yes.

473 . Q Was the final speaker. Was there any discussion of
474 any needs that the contras had at that point, in terms of
475 any sort of materials or humanitarian aid?

476 . A I don't really remember. I know that the President
477 had already publicly asked for humanitarian aid for the
478 freedom fighters, and this was generally understood.

479 . I think he asked several times publicly in speeches,
480 and whether he reiterated this, he may have. I don't
481 remember. It was so understood that it wouldn't have stood
482 out if he had said anything about it.

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483 . Q What did you understand to be the purpose of the
484 briefing that was being held for this group?

485 . A Well, I understood that it was to brief them in on a
486 bit of the history of the dangers that were facing the
487 United States, our country, and Mr. Mario Colero said, the
488 freedom fighters are the target of the communists against
489 the Central American countries.

490 . It is not Central America, it is the United States.
491 And I think we all realized this, that that was the target,
492 the eventual target.

493 . Q What did you understand to be the reason why you
494 were invited to this briefing?

495 . A Well, because I had been an enthusiastic ^{supporter} support of
496 President Reagan, and of his foreign policy as far as
497 fighting against the communist influence in Central America
498 was concerned. I certainly had been, and very much, for SDI
499 also.

500 . Q You say there were approximately 24 people at the
501 meeting.

502 . A It seemed to me there were about that many.

503 . Q What other people do you recall attending in the
504 group, other than yourself and the three speakers?

505 . A There was a Mr. and Mrs. Ramsey from Wichita Falls.
506 It seems to me there was a Mr. And Mrs. Pentacost, a strange
507 name, from near the border, the southern border between

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508 Texas and Mexico, and then there was a Mr. and Mrs. Warn.
509 It seems to me they were from the east somewhere, from
510 either the east or--they were from the north. It might have
511 been Ohio.

512 Q Is that W-a-r-m?

513 A W-a-r-m, yes. Let's see if I can think of some
514 others.

515 I can think of other people whom I met from time to
516 time in these groups that would meet to discuss helping the
517 democratic resistance. Whether they were at that meeting or
518 not, I do not know.

519 Q Was Mrs. Newington at that meeting?

520 A I never really met Mrs. Newington to be sure that it
521 was Mrs. Newington. I met someone in a wheelchair once. It
522 could have been Mrs. Newington, but I don't remember the
523 name.

524 Q Was Mr. Claggett at that meeting?

525 A Claggett?

526 Q Yes.

527 A No, I don't remember.

528 Q Mr. Brandon?

529 A I don't remember that name, either. I remember a
530 Mr. Bennett from San Antonio who was there at one of the
531 meetings, and I had known him before quite well, Mr. John
532 Bennett. I don't remember whether he was at this meeting or

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533 not.

534 . Q Was Mr. Hooper at the meeting?

535 . A I don't remember that name.

536 . Q Who made the arrangements for this meeting at the

537 White House?

538 . Was it Mr. Channell?

539 . A Mr. Channell did.

540 . Q Did you have any contact with anyone in the White

541 House itself about this meeting?

542 . A No.

543 . Q Did you have any discussion with the President on

544 that day other than the discussion in the group that you

545 have described?

546 . A After the President finished speaking, we each came

547 up to shake hands with him separately and were introduced as

548 we came up, and I gave him the book about my father, "Will

549 Clayton, A Short Biography," and he thanked me for it, said

550 he was going to put it in the Presidential Library or

551 something like that.

552 . Q And I believe you have testified on that day, you

553 had no separate discussion with Mr. North; is that right?

554 . A That is correct.

555 . Q Was any discussion with Mr. Channell during this

556 visit to Washington in the Hay-Adams about contributions?

557 . A I think there might have been, because I wrote him a

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558 | check on a small purse bank book check.

559 | . Q Osborne, can we go off the record here?

560 | [Discussion off the record.]

561 | BY MR. FRYMAN:

562 | . Q Mr. ^S_A Garwood, you used the phrase "small check."

563 | What do you refer to when you use that phrase?

564 | . A I refer to the purse check, the small bank book that

565 | I keep in my purse, which includes small size checks.

566 | . Q Is that a folding check book?

567 | . A No, it doesn't fold.

568 | . Q It is just a smaller book.

569 | . A It is a smaller book.

570 | . Q That will fit into your pocketbook.

571 | . A That is right.

572 | . Q And do you have a different type of checkbook that

573 | you keep at your desk?

574 | . A Yes.

575 | . Q And how would you describe that checkbook?

576 | . A Well, that has three checks to a page, and they are

577 | longer checks, and there are stubs, which you don't have in

578 | your other purse checkbook, which is quite a deprivation.

579 | You have to write it down in another little book.

580 | . Q You describe the checks in your purse as the small

581 | checks.

582 | . A That is right.

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583 . Q Do you have any shorthand description for the checks
584 at your desk?

585 . A No. Those are just regular checks. The small check
586 also has a smaller number, I think as Duncan pointed out. I
587 have down here checks 331 for \$55,000. They are smaller
588 numbers.

589 . The ones--this is the three checks to a page book,
590 begin with 6,000 or something like that.

591 . Q During this meeting at the Hay-Adams, there was a
592 discussion you recall with Mr. Channell about further
593 contributions?

594 . A Yes.

595 . Q Do you recall any discussion during the briefing at
596 the White House about contributions?

597 . A I don't think they were ever that blunt in the
598 briefings.

599 . Q Were they more oblique?

600 . A Yes, I guess that is what you would say.

601 . Q How would you describe how they proceeded?

602 . A Well, the situation was to trace in something of the
603 history of the region of Central America, and then the
604 danger to the United States and the fact that there was a
605 group, a growing group of resistance fighters that needed
606 help, and naturally, we knew that because the President had
607 asked for help for them from Congress, and it hadn't been

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608 | voted at this time except a lesser amount than he had asked
609 | for, and so, we knew that they were in need, and this was, I
610 | am sure, stressed also in these talks, that with help from
611 | the United States, which we hoped to get from Congress and
612 | hoped to get from private people also, the humanitarian aid
613 | that the President had asked for, that they could make a
614 | good deal of progress and establish a democracy.

615 | . Q Was it stressed that they needed anything more than
616 | humanitarian aid?

617 | . A No.

618 | . Q Was that mentioned at all?

619 | . A No, no, that wasn't mentioned at all.

620 | . Q There was no indication of any shortage of military
621 | supplies?

622 | . A No.

623 | . Q Of any sort?

624 | . A No, no statement like that at all. Of course, we
625 | knew they did need military supplies, because the President
626 | had asked for military supplies, everybody knew that, as
627 | well as the other supplies, and the Congress had only voted
628 | what I guess they called non-lethal aid, but he was going to
629 | ask again, and we knew that.

630 | . I don't remember anybody saying, you know, they are
631 | badly in need of arms right now or anything like that, but
632 | we knew that they were, because the President had asked

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633 Congress to help them in that way.

634 . Q Did you understand that any steps were being taken
635 in any way to meet this shortage of military supplies at
636 this time?

637 . A I didn't understand anything like that, no, except
638 that we were going to keep on asking Congress and hoping
639 that Congress would vote it. In fact, pretty soon, the
640 Senate did vote the military supplies, and the House didn't.

641 . Q Following this meeting that you have described at
642 the Hay-Adams in January of 1986, and the briefing at the
643 White House, in which Mr. North participated, what was the
644 next occasion that you met Mr. North?

645 . A It was in April of 1986.

646 . Q And where was that meeting?

647 . A That was also, I am sure it was at the Hay-Adams,
648 where we usually stayed, the contributors to the Channell
649 organizations, it was called by Channell.

650 . Q And what was the circumstances of your meeting with
651 Mr. North on that occasion? Was it a group meeting or was
652 it an individual meeting you had?

653 . A There was a group meeting, and then there was also
654 an individual meeting that Mr. Channell asked me to come to,
655 and he said Colonel North would meet us.

656 . Q How large was the group meeting?

657 . A The group meeting--well, remember that the last group

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658 meeting where we had a briefing at the White House I thought
659 was around 20 people. Sometimes it would be that many, as a
660 rule it would be less, though, around 12 or something like
661 that.

662 . Q Where was the meeting held?

663 . A I think it was held at the May-Adams.

664 . Q In a private meeting room of some sort?

665 . A In a luncheon room or something like that. We did
666 have a luncheon, I think.

667 . Q And Mr. North attended. Was there any other
668 outsiders?

669 . A No. Colonel North did not come to that meeting, as
670 I remember, with the other people, but Mr. Channell had told
671 me before coming up that I was going to be presented with a
672 need for a great deal more money than I had--a much larger
673 donation to aid the freedom fighters--than I had been before,
674 and so I wasn't surprised when he said, I think it was the
675 last day of the meeting, of the group's meeting, that he
676 wanted me to meet him after dinner in the cocktail lounge in
677 the May-Adams, and that Colonel North was going to come over
678 and paint a picture of what had happened to the freedom
679 fighters.

680 . Q How long did the group meetings go on?

681 . A I can't really be sure how long they went on.

682 . Q Was it more than one day?

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683 . A It was more than one day, yes. It seems to me it
684 was.

685 . Q Was there a series of speakers at the group meeting?

686 . A Sometimes there would be a dinner at the Hay-Adams,
687 and then there would be--I know one meeting where they had a
688 dinner and Elliot Abrams spoke, and Mr. Mario Colero spoke,
689 and there might have been someone else, but I don't remember
690 who it was, but I do know at one meeting, and it could have
691 been this time, I am not sure.

692 . Q If the meeting extended more than one day, am I
693 correct that there would have been several speakers at the
694 group meeting?

695 . A There were, at two or three meetings that I
696 remember, there were speakers, but usually it was at a
697 dinner meeting or a luncheon meeting, and that was the way
698 that it was done.

699 . Q And at this meeting in April 1986 that the group
700 attended, could you describe the central substance of the
701 meeting? I don't want to go over this, repeat myself. Let
702 me ask another specific question.

703 . Was there any emphasis on particular needs of the
704 contras at that point?

705 . A No. I don't remember, unless, you know, it was
706 emphasis on the fact that they were still in need of the aid
707 that the President was trying to get Congress to vote. This

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708 is the April meeting you are talking about.

709 . Q Yes, I am talking about the April 1986 meeting. How

710 would you generally describe then the subject matter of this

711 group meeting?

712 . A Well, the subject was just exactly what I have said,

713 you know. It was the aid that was needed for the

714 resistance, the democratic resistance in Nicaragua. It was

715 the description of how we could persuade Congress ^{that there}

716 was any way to persuade Congress to vote it, and there must

717 have been descriptions of ads that would be put in

718 newspapers in the Districts of the Congressmen, things like

719 that, what methods would there be?

720 . Would there be any help in putting an ad in the

721 Washington Times, which was sometimes done, describing the

722 need for Congress to vote the funds for the freedom fighters

723 that had been asked by the President, that sort of thing.

724 . Q And did you understand that Mr. Channell's

725 organization was to take steps in these areas, for example,

726 that they were to be involved in placing ads in Districts of

727 particular Congressmen?

728 . A Oh, yes, yes.

729 . Q And taking out advertisements?

730 . A Yes.

731 . Q In the Washington Times?

732 . A Yes.

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733 . Q And what did you understand to be the source of
734 financing for these activities?

735 . A The people who were at the meeting.

736 . Q The contributions to Mr. Channell?

737 . A Surely.

738 . Q Including National Endowment for the Preservation of
739 Liberty?

740 . A Well, now, that wouldn't have been used for the ads.
741 It would have been used only for humanitarian aid.

742 . Q What would have been used for the ads?

743 . A The American Conservative Trust would have been
744 used, and there is something called ATAC, they called it
745 ATAC, Against Terrorism, American Committee, or something
746 like that.

747 . Q Is that anti-terrorism?

748 . A Anti-terrorist Americans, yes, those two.

749 . Q Now, you mentioned that Mr. Channell had warned you--

750 . A Yes.

751 . Q --that they might seek a particularly large
752 contribution?

753 . A That is right.

754 . Q And then he arranged a private meeting with Mr.
755 North in the cocktail lounge of the hotel?

756 . A That is right.

757 . Q And was that just you, Mr. North, and Mr. Channell?

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758 . A Yes.

759 . Q About how long did that meeting occur?

760 . A Those meetings, most of them, were not much longer

761 than a half an hour. I think it was about a half an hour.

762 . Q About half an hour. Was Mr. North wearing his

763 uniform at that meeting?

764 . A I don't think he ever wore his uniform. No, I don't

765 think so.

766 . Q Did he have any materials with him, any papers?

767 . A I don't remember that, no. As I remember, he

768 didn't. It is possible he did, but I don't think so.

769 . Q What do you recall that Mr. North said at this

770 meeting?

771 . A Well, he said that the freedom fighters were in an

772 ~~desperate~~ ^{desperate} situation, that they could almost been so ~~desperate~~ ^{desperate} that

773 they might have to disband, by the time the Congress got

774 around to voting the aid for freedom fighters there might

775 not have been any freedom fighters.

776 . They were hungry, they didn't have enough ^{to} eat, their

777 clothing was falling apart. They didn't have enough

778 weapons, and so on. The situation--well, really, tears

779 practically came in his eyes, and he said they would be

780 accused of stealing, because they would have to forage for

781 food, and that they would probably be accused ^{also} by the

782 leftist press of drug smuggling, and he said none of which.

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783 the drug smuggling was absolutely a falsification, that they
784 were not doing that, and wouldn't.

785 . Q Was there any discussion of the types of weapons
786 that they needed?

787 . A You asked me if there were any papers or anything.
788 There was a piece of paper that I think was produced by
789 Channell. I am not sure whether it was Channell or Colonel
790 North, a small piece of paper, with a list of weapons on it,
791 and the price of the weapons opposite each category, and Mr.
792 North, I mean Mr. Channell and Colonel North spoke in low
793 tones about this, particularly low, and I really didn't hear
794 what they were saying.

795 . Q Were they both looking at the list together?

796 . A Yes, I think so, yes.

797 . Q Was the list a typewritten list, or was it in
798 handwriting?

799 . A I think it was printed writing.

800 . Q Printed writing?

801 . A Printed writing, yes. That is the way I remember
802 it.

803 . Q What did you overhear the two of them say about this
804 list?

805 . A I didn't overhear. I couldn't hear exactly what
806 they were saying, and since they were obviously more or less
807 whispering to each other, I didn't, you know, try to hear

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808 it.

809 . Q Before they started speaking together, did one of
810 them pull out the list and show it to you?

811 . A Well, Channell finally gave it to me.

812 . Q He finally gave you the list?

813 . A Yes, he gave it to me. I must have had two lists.

814 This is another thing that I am not quite clear about,
815 because he must have kept a list for himself and then given
816 one to me.

817 . Q Before Mr. North and Mr. Channell started talking
818 among the two of them, however, did you see the list before
819 this discussion began among the two of them?

820 . A Really, I can't tell you whether I did or not. I
821 don't know.

822 . Q Then going back, the two of them talked together in
823 low tones?

824 . A Yes.

825 . Q For a few minutes?

826 . A Yes.

827 . Q And then what was said after that?

828 . A Then I think Colonel North said he had to go, and
829 then we told him good-bye, and Mr. Channell showed me the
830 list, gave me the list.

831 . Q What did he say about the list, then?

832 . A Well, he said this is what we need. Can you help?

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833 And I saw that it was--I said it was a tremendous amount of
834 money. I said I wasn't sure whether I could or not. I
835 would have to ask my ^{banker} bank, and I would try.

836 . If I could, I would.

837 . Q What items do you recall were included on the list?

838 . A Well, I do recall hand grenades, and I think I
839 recall anti-aircraft guns and bullets and probably cartridge
840 belts.

841 . Q Anything else?

842 . A I can't remember. I am sure it was more than that,
843 but I don't remember what else.

844 . Q And were there--

845 . A I think there was more.

846 . Q Were there prices on the list also?

847 . A Yes, there were.

848 . Q Was there a price per unit or was it a total price
849 for a number of units of any particular item?

850 . A Well, for each category, there was a price, and how
851 many, I don't know whether it said how many they needed of
852 each or not. I don't remember that, but for each category
853 there was a price, and they probably did have a quantity
854 listed, but I certainly don't remember that.

855 . And whether it was added up at the end, I do not
856 remember either, at the bottom.

857 . Q So, Mr. Channell discusses this list with Mr. North?

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858 . A Yes.

859 . Q And you observed them discussing it?

860 . A Yes.

861 . Q Mr. North leaves?

862 . A Yes.

863 . Q And then Mr. Channell speaks to you about the list

864 and shows it to you?

865 . A That is right.

866 . Q What does he say to you about the list?

867 . A Well, he said, "Do you think you can help provide

868 these things? Can you give the amount of money needed?"',

869 and I said, "Well, I have no idea whether I can or not. I

870 am rather shocked, but I will see--at the amount--but I will

871 see what can be done, if I can help. I will try to help."

872 . Q And did you take the list with you?

873 . A Yes.

874 . Q And you say you believe Mr. Channell had another

875 copy of the list?

876 . A I am sure he did. He must have had. As I remember,

877 there were two lists. What I think he did was he had at

878 first one list, and then while I was sitting there, he

879 copied it over and gave me a copy of it?

880 . Q So the copy you received was in Mr. Channell's

881 printed writing?

882 . A Printed writing, yes.

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883 . Q And did you see the list he copied from?

884 . A Well, yes, I saw him copying the list, but I didn't

885 notice.

886 . Q Did you notice if it was typewritten or handwritten?

887 . A No.

888 . Q And the list he discussed with Mr. North was the

889 list that he copied from, is that correct?

890 . A That is what I assume, yes.

891 . Q You saw it?

892 . A Yes, I saw the list, and that was the list he spoke

893 to Colonel North about, and then he copied the list and gave

894 it to me.

895 . Q And what did you do with the list?

896 . A I took it home and gave it to my banker, and asked

897 if it were possible for me to supply the needed funds.

898 . Q How much money was requested from you?

899 . A I noticed that the bank has put down that it was

900 over about 1.5 million to begin with. It ended up more than

901 that.

902 . Q You say you gave it to the bank?

903 . A Yes.

904 . Q To what individual did you give this?

905 . A To Mrs. Anne Glanz.

906 . Q And what is her position?

907 . A She is a vice president of the bank, and she is the

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908 manager of my trust at the bank.

909 . Q And how long after you returned to Texas did you
910 give this list to Mrs. Glanz?

911 . A I think the day after I returned.

912 . Q Did you make a copy of the list?

913 . A No, I didn't. I left it with her, and then since I
914 wouldn't get it back, she had given it, I think, to Mr.
915 Osborne, or talked to him about it. I couldn't get it back.

916 . I tried to remember it and wrote a little note to
917 myself, but I didn't remember it exactly, and I have never
918 been able to find my notes, either, where I had put it. I
919 wrote it down in a notebook, and I can't find the notebook,
920 wrote down what I remembered was on the list.

921 . Q Did you ask Mrs. Glanz or Mr. Osborne to return the
922 list to you?

923 . A Yes.

924 . Q And what did they say?

925 . A They didn't have it.

926 . MR. FRYMAN: Mr. Osborne, I believe the subpoena and
927 the documents described in the attachment would extend to
928 this list. Can you state for the record that a search has
929 been made for that list?

930 . MR. OSBORNE: Yes. In my opinion, the subpoena
931 would clearly apply to the list, and we did make a search
932 for the list, and we did not turn it up.

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933 . MR. FRYMAN: Mrs. Garwood has said that this list
934 was delivered to you through Mrs. Glanz. Do you recall this
935 list that she has described at some point?

936 . MR. OSBORNE: Mrs. Glanz brought the list up to me
937 and I looked at it and returned it to Mrs. Glanz.

938 . THE WITNESS: She did look for it, and none of us
939 was able to produce the list. This was--how long after was
940 it that we were asked about the list? It must have been
941 almost a year afterwards, by that time.

942 . My husband had been very ill and other things had
943 been on my mind, and I just don't know. I may turn up the
944 list yet. If I do, I will send it to you. The thing that I
945 made from memory, which might not be exact, the notation
946 that I made, when I couldn't get the list back.

947 . BY MR. FRYMAN:

948 . Q That is the list you feel you may still turn up?

949 . A I might, yes.

950 . Q After receiving this list from Mr. Channell, did you
951 make any further contributions to his organization?

952 . A Yes.

953 . Q And approximately what amount?

954 . A Well, you have that amount, don't you?

955 . MR. OSBORNE: I think this Exhibit 2, which has been
956 marked, has the information, and you are referencing April
957 15, 1986.

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958 . BY MR. FRYMAN:

959 . Q Mrs. Garwood, I will go into the details of the
960 contributions in a minute, but is it correct that after his
961 discussion, you made a multi-million-dollar contribution to
962 Mr. Channell's organizations?

963 . A After the discussion, I made a contribution right
964 away that was over \$1 million, about \$1.5 million, and added
965 up in the end to \$2.5 million.

966 . Q Within a period of several weeks?

967 . A That is right.

968 . Q After this meeting?

969 . A That is right.

970 . Q And to what organization did you make these
971 contributions?

972 . A I left that up to Anne Glanz, and she had
973 conversations with Mr. Channell over the phone, and they
974 ^{figured} ~~figures~~ out together where it should go.

975 . Q And for what purpose did you understand these
976 contributions were being made?

977 . A I knew it was going for the list of ammunition, and
978 also, I imagine also for the food that was needed and some
979 of the other what you would call non-lethal requirements.

980 . Q Did you understand that the contribution you were
981 making was an amount larger than the total of the amounts on
982 the list that Mr. Channell gave you for weapons?

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983 . A I don't remember what the total of that list was,
 984 but I have a feeling that it was larger, yes.

985 . Q Was the principal purpose of your contribution to
 986 provide the weapons that Mr. Channell requested?

987 . A The initial--the first part of it was, and also the
 988 other things that were needed.

989 . Q Did you have any discussion or communication with
 990 the President in this period of time about your
 991 contributions?

992 . A Not actually about my contributions. I had asked
 993 Mr. Channell from the beginning, from the early days when
 994 his group was meeting his contributors and he was asking for
 995 donations for the democratic resistance in Nicaragua, that I
 996 felt that the foreign policy was a divided and ambivalent
 997 foreign policy of the Administration.

998 . I was in favor of what Reagan wanted, but it seemed
 999 that he was being stymied at almost every step by the State
 1000 Department, and I very much wanted a meeting with the
 1001 President to discuss this with him.

1002 . My father had been in the State Department in the
 1003 Truman Administration. He had been Under Secretary of State
 1004 for Economic Affairs, where the State Department and the
 1005 President were absolutely in sympathy with each other, and
 1006 everything they did, and this seems to me a shame that this
 E.C. 1007 could happen with Reagan.
 ^{not}
 ^

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1008 . Q When was the next time that you met with Mr. North
1009 after the April 1986 meeting?
1010 . A There was a meeting in September, early September
1011 1986.
1012 . Q And where was that meeting?
1013 . A And that was in his office in the Old Executive
1014 Office Building.
1015 . Q And who was present?
1016 . A Just Mr. North and Mr. Channell and myself. Mr.
1017 Channell took me over.
1018 . Q Did Mr. North express any appreciation for your
1019 earlier contributions?
1020 . A Well, he had in letters, which I think you have in
1021 one of these exhibits, and usually he greeted me very
1022 kindly. You know, as if he were grateful for my help, my
1023 general help.
1024 . Q At this meeting in September, did he make any
1025 specific reference to the series of contributions,
1026 substantial contributions, that you had made after your
1027 earlier meeting with him and Mr. Channell?
1028 . A No.
1029 . Q Had you had any telephone communications with anyone
1030 in the White House after your series of contributions in
1031 April and May of 1986?
1032 . A No.

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1033 . Q Turning back to the September 1986 meeting in Mr.
1034 North's office, approximately how long did this meeting
1035 last?
1036 . A It was around a 20-minute meeting again.
1037 . Q And what was the substance of the conversation?
1038 . A The substance there was again the very critical
1039 condition about transport, transport of humanitarian aid.
1040 It wasn't getting to the freedom fighters because one of the
1041 transport ^{planes} ~~planes~~ had been shot down, and they needed two
1042 more, and so there were small planes being built by a man in
1043 the south, either South Carolina or Alabama that they could
1044 get for cost, and they were very much hoping to get those to
1045 transport the humanitarian aid that was needed.
1046 . Q Did he use the phrase humanitarian aid, he being Mr.
1047 North?
1048 . A Yes--I don't remember.
1049 . Q But he spoke of the needs for this type of plane.
1050 . A Yes.
1051 . Q That could be bought at cost?
1052 . A Yes, the needs for--well, I am sure food, clothing
1053 and medical supplies. Medical supplies was one of the
1054 things that he did mention from time to time.
1055 . Q And did he ask assistance from you?
1056 . A He never asked me for assistance.
1057 . Q Who did?

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1058 . A Well, after we left the office, Mr. Channell did.
1059 . Q And what did Mr. Channell say?
1060 . A Well, Mr. Channell said that they needed money for
1061 those two planes, those two small planes. They were 40,000,
1062 I think, a piece, and that they would need 80,000.
1063 . Q And did you make a further contribution?
1064 . A I made a contribution for that, yes.
1065 . Q And to what organization, do you recall?
1066 . A The MEPL.
1067 . Q Did you meet with Mr. North after his occasion?
1068 . A You mean a later meeting some time?
1069 . Q Yes.
1070 . A It seems to me there was another meeting with him,
1071 but not to discuss anything about needs for the freedom
1072 fighters. There was a meeting in November, and that was
1073 immediately, very close to the time, maybe just before the
1074 time they were talking about the sale of planes, of arms and
1075 whatever to Iran and the Iran-contra thing.
1076 . It was just before that.
1077 . Q And where was this meeting held?
1078 . A This was in the Hay-Adams at breakfast.
1079 . Q And who was present?
1080 . A Mr. Channell and Colonel North and myself.
1081 . Q And approximately how long did this last? Just for
1082 breakfast?

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1083 . A Just for breakfast, yes.

1084 . Q What do you recall Mr. North saying at this meeting?

1085 . A I remember mostly what I said to him.

1086 . Q All right.

1087 . A Which was that I thought that it was getting nowhere

1088 to help the freedom fighters so long as we still recognized

1089 the Nicaraguan Sandinista Government, and that we ought to

1090 withdraw recognition, and why didn't we, and he said well,

1091 that they hadn't enough territory to be recognized, the

1092 freedom fighters didn't have enough territory to be

1093 recognized as a government-in-exile, which is what I wanted

1094 for them to be recognized as a government-in-exile, and ~~the~~

1095 ~~other government~~^{not} to be recognized. *relations with the other government*
to be with drew it

1096 . After all, we were supplying the resistance against

1097 it, and that seemed to me a logical step that should be

1098 taken, but he said it wasn't, and that he didn't think that

1099 it was possible until they gained some more ground.

1100 . We rather disagreed about that. I remember telling

1101 him that I remembered Britain in World War II recognizing a

1102 Polish government-in-exile when the free Poles had no

1103 territory at all, it was all under the domination of the

1104 Nazis.

1105 . Q Did you request this meeting with Mr. North to

1106 express your views?

1107 . A No.

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1108 . Q What do you understand led up to this meeting?

1109 . A Led up to it? I think afterwards that Channell said

1110 something to me, you know, about--Ollie said is planning to

1111 take some trips, and he will need some funding for that. I

1112 said ^{Spitz}~~Spitz~~, I am not giving anything else until we do some

1113 of the things I have asked to be done, until the government

1114 does, nothing at all.

1115 . Q Now, was this conversation with Mr. Channell before

1116 the meeting with Mr. North?

1117 . A It was afterwards, after North had left, after

1118 Colonel North had left. I didn't know, you know, he just

1119 said Colonel North is going to meet us over here, and he

1120 just wants to say hello to you, or something like that.

1121 . Q Did you come to Washington for the purpose of

1122 meeting with Mr. North?

1123 . A No.

1124 . Q Or for some other reason?

1125 . A I was there for another reason. I was there because

1126 of a Heritage Foundation banquet that I had been invited to

1127 to become a member of something they called the President's

1128 Club, and there had been a banquet the night before, and I

1129 was staying at another hotel, and Mr. Channell called up and

1130 said he wanted to take me over to the Hay-Adams for

1131 breakfast, and so we went over there, and ^{that we were} ~~wanted to meet~~

1132 Colonel North over there.

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1133 . Q Have you met Colonel North on any occasion since
1134 that meeting in November at the Hay-Adams?
1135 . A No.
1136 . Q Have you ever spoken with Colonel North on the
1137 telephone?
1138 . A I called him myself and told him that I was helping,
1139 had given a donation to the North legal assistance fund,
1140 legal defense fund, at his home, and his little daughter
1141 answered the telephone, and she called her father to the
1142 phone, and he said, "Well, I think it is best not to call
1143 me here, it is better for you to call me at the office.
1144 Thank you very much for what you have done."
1145 . Q And approximately when was that conversation?
1146 . A That could have been in late December, probably was
1147 in late December.
1148 . Q Of 1986?
1149 . A Of 1987--
1150 . Q Of 1986?
1151 . A Yes, 1986. I am sorry, 1986.
1152 . Q And is that the only occasion you have ever spoken
1153 with him on the telephone?
1154 . A Yes.
1155 . Q And the only occasions you have ever met with him
1156 face to face are the, I believe, seven occasions that you
1157 have described today?

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1158 . A Yes.

1159 . Q Is that correct?

1160 . A That is right.

1161 . MR. FRYMAN: Why don't we break for a few minutes?

1162 . [Recess.]

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1163 RPTS CANTOR

1164 DCMN MILTON

1165

1166 . MR. FRYMAN: Back on the record.

1167 . BY MR. FRYMAN:

1168 . Q Mrs. Garwood, how did you originally meet Mr.

1169 Channell?

1170 . A I met him when he was working for the National

1171 Conservative Political Action Committee, used to be called

1172 NCPC.

1173 . Q Who introduced you?

1174 . A Well, he was an assistant to Terry Dolan, the late

1175 Terry Dolan, and this was an organization to help get a

1176 conservative Senate, Republican Senate, to help the

1177 President, and I was interested.

1178 . Q And you have described this afternoon a number of

1179 meetings that you had, both with Mr. Channel and Mr. North?

1180 . A Yes.

1181 . Q What did you understand the relationship between

1182 the two of them to be?

1183 . A First of all, I knew Mr. Channell was interested in

1184 helping President Reagan. He had been in NCPC, of course,

1185 and he had also been helping at one time General Graham for

1186 High Frontier, which is the President's baby, more or less.

E.C. 1187 you know, the ^{space} ~~peace~~ defense, and we were interested in more**UNCLASSIFIED**MARY FERRELL
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1188 | or less the same issues.

1189 | . I knew that, and--what was it that you asked me now?

1190 | . Q What did you understand the relationship or the

1191 | connection to be?

1192 | . A Yes.

1193 | . Q Between Mr. Channell and Mr. North?

1194 | . A I thought it was a general desire, a fervent desire

1195 | actually of Mr. Channell to help President Reagan's foreign

1196 | policy, and Colonel North was part of the National Security

1197 | Council, which was certainly concerned with foreign policy.

1198 | . Q Did you understand any sort of a more formal

1199 | coordination between Mr. Channell's activities and Mr.

1200 | North's activities?

1201 | . A Nothing except the general desire of both of them

1202 | to help the Reagan Administration.

1203 | . Q You have described in general this afternoon a

1204 | number of contributions that you made to the Channell

1205 | organizations.

1206 | . A Yes.

1207 | . Q Were you ever asked by anyone to pay any bills or

1208 | to send any money to any supplier of aid of any sort?

1209 | . A Never.

1210 | . Q To the contras?

1211 | . A Never.

1212 | . Q Was any money ever provided to you from any source

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1213 | for deposit into one of your accounts which was then to be
1214 | used to make a contribution out of your account to some
1215 | organization of Mr. Channell's?

1216 | . A Never, except when Mr. Channell called me and said
1217 | that he had a surplus in the NEPL, the National Endowment
1218 | for Preservation of Liberty, and he needed some money in the
1219 | American Conservative Trust, I believe it was. Would i, if
1220 | he refunded me or sent back some of the money I had given
1221 | him for the NEPL, would I then make a check for an
1222 | equivalent amount and sent it to the American Conservative
1223 | Trust, make it out to the American Conservative Trust. That
1224 | time he did.

1225 | . Q And are those refunds reflected in the financial
1226 | summary which is included in Garwood Exhibit 2?

1227 | . A I thought they were, yes.

1228 | . Q Would you look?

1229 | . A I will look again.

1230 | . Q Exhibit 2.

1231 | . A There is one for 25,000, one for 30,000 refunds.
1232 | Yes, one for 25,000 and one for 10,000. Thirty thousand up
1233 | here, yes.

1234 | . Q And those are the only funds that you ever received
1235 | from--

1236 | . A That is right, ^{from} Mr. Channell.

1237 | . Q Or any third party which were to be the source of

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1238 contributions in turn by you to one of Mr. Channell's
1239 organizations?

1240 . A That's correct. These are the only ones.

1241 . MR. FRYMAN: I would ask the reporter to mark as
1242 Garwood Deposition Exhibit 2-A and 2-B for identification
1243 the first two pages of Garwood Exhibit 2.

1244 . [The following documents were marked as Garwood
1245 Deposition Exhibits 2-A and 2-B for identification:]
1246

1247 ***** INSERT *****

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1248 . BY MR. FRYMAN:

1249 . Q Mrs. Garwood, I direct your attention to Garwood

1250 Exhibits 2-A and 2-B.

1251 . A 2-B is the one with the refunds, that's right, yes,

1252 and 2-A--is there any special reason for that?

1253 . Q My question, Mrs. Garwood, is, was that sheet

1254 prepared at your direction, those two pages, Garwood

1255 Exhibits 2-A and 2-B?

1256 . A I think Mr. Osborne did this for his own

1257 information and for mine.

1258 . Q Do those two sheets reflect the date and the amount

1259 of all of the contributions which you have made to any

1260 organization associated or that you understand to be

1261 associated with Mr. Channell?

1262 . A These two pages?

1263 . Q Yes. I am asking about your own contributions at

1264 the moment.

1265 . A Oh, my own.

1266 . Q And I am directing your attention to Garwood

1267 Exhibits--

1268 . A 2-A and 2-B.

1269 . Q 2-A and 2-B.

1270 . A As far as I can remember, they do, yes.

1271 . MR. FRYMAN: Mr. Osborne, Mrs. Garwood has referred

1272 to you in connection with preparation of these sheets.

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1273 Would you confirm that you did prepare those two?
1274 . MR. OSBORNE: Yes, I did prepare those.
1275 . MR. FRYMAN: I ask the reporter to mark as Garwood
1276 Exhibit 2-C for identification a third sheet, contained in
1277 Garwood Exhibit 2, and to mark as Garwood Exhibit 2-D for
1278 identification the fourth page contained in the Garwood
1279 Exhibit 2.
1280 . [The following documents were marked as Garwood
1281 Deposition Exhibits 2-C and 2-D for identification:]
1282
1283 ***** INSERT *****

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1284 . BY MR. FRYMAN:

1285 . Q Mrs. Garwood, I direct your attention to Garwood

1286 Exhibit 2-C for identification. Does that sheet indicate

1287 the date and amount of contributions made in the name of

1288 your husband to organizations which you understand to be

1289 associated with Mr. Channell?

1290 . A Yes, it does.

1291 . Q And I direct your attention to Garwood Exhibit 2-D.

1292 . A Patrick Henry Foundation, yes.

1293 . Q And would you explain what that sheet contains?

1294 . A Yes. That is a contribution to the National

1295 Endowment for the Preservation of Liberty, for humanitarian

1296 aid to the freedom fighters.

1297 . Q What is the Patrick Henry Foundation?

1298 . A A foundation that was set up upon the advice of

1299 Mrs. Glanz by me to help preserve the freedom of our

1300 country, to give donations to organizations that would help

1301 preserve the freedom of our country.

1302 . Q And is the foundation that was funded by

1303 contributions from you?

1304 . A That's right.

1305 . Q And do you control the foundation?

1306 . A I and the trustees, my two grandchildren.

1307 . Q Is the contribution reflected on Garwood Exhibit 2-

1308 D for identification the only contribution of which you were

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1309 aware that the foundation made to an organization associated
1310 with Mr. Channell?
1311 . A It is.
1312 . Q And are the contributions reflected on Garwood
1313 Exhibit 2-C the only contributions of which you are aware
1314 that were made in the name of your husband?
1315 . A That's right.
1316 . Q To organizations associated with Mr. Channell?
1317 . A Yes, that's right.
1318 . MR. FRYMAN: I ask the reporter to mark as Garwood
1319 Exhibit 2-E a letter dated April 15, 1986, from Mrs. Garwood
1320 to Anna Glanz, which is contained in Garwood Exhibit 2.
1321 Also, to mark as Garwood Exhibit 2-F a letter dated April
1322 15, 1986, from Mrs. Garwood to the National Endowment for
1323 the Preservation of Liberty; to mark as Garwood Deposition
1324 Exhibit 2-G for identification a letter from Mrs. Garwood
1325 dated May 19, 1986, to the National Endowment for the
1326 Preservation of Liberty; and to mark as Garwood Deposition
1327 Exhibit 2-H a letter from Mrs. Garwood dated October 17,
1328 1986, to the National Endowment for the Preservation of
1329 Liberty.
1330 . [The following documents were marked as Garwood
1331 Deposition Exhibits 2-E through 2-H for identification:]
1332
1333 ***** INSERT *****

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1334 . BY MR. FRYMAN:
1335 . Q Mrs. Garwood, I direct your attention to Garwood
1336 Deposition Exhibit 2-E for identification, and ask you to
1337 identify that letter.
1338 . A Yes, that is my letter.
1339 . Q Is that a copy of a letter that you sent to Mrs.
1340 Glanz?
1341 . A That is a copy of a letter. Mrs. Glanz typed it
1342 and asked me to sign it.
1343 . Q And what was the purpose of that letter?
1344 . A That was for shares to be sent. That was part of
1345 the donation that we have already discussed that was sent to
1346 cover the donations necessary for the list.
1347 . Q For the weapons list that you described?
1348 . A For the weapons list, yes, and perhaps also for
1349 food.
1350 . Q And after that letter, were the stocks that are
1351 referred to in that letter transferred as directed in the
1352 letter?
1353 . A They were, as far as I know, yes.
1354 . Q I direct your attention to Garwood Exhibit 2-F for
1355 identification. Is that a letter that you sent to the
1356 National Endowment for the Preservation of Liberty?
1357 . A Yes.
1358 . Q And that was on April 15, 1986?

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1359 . A Yes.

1360 . Q And does that letter notify the Channell

1361 organization of the contribution you just described?

1362 . A Yes, receipt of this gift, yes.

1363 . Q I direct your attention to Garwood Exhibit 2-G for

1364 identification. Is that a letter dated May 19, 1986?

1365 . A Yes.

1366 . Q From you to the National Endowment?

1367 . A Yes.

1368 . Q And what is the purpose of that letter?

1369 . A To tell Mr. Channell that I had wired \$250,000 to

1370 ^{his} ~~your~~ account at the Palma National Bank, ^{and to} acknowledge receipt

1371 of the gift to the National Endowment for the Preservation

1372 of Liberty.

1373 . Q What is the amount transferred?

1374 . A The amount was \$350,000.

1375 . Q And was that a part of the contribution that you

1376 described that related to the weapons list that he gave to

1377 you?

1378 . A The weapons list and the other needs of the freedom

1379 fighters that had been described at that meeting, ~~and 442~~

1380 Colonel North described the desperate condition of the

1381 freedom fighters.

1382 . Q But it also related to the weapons list?

1383 . A Yes.

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1384 . Q And I direct your attention to Garwood Exhibit 2-H
1385 for identification. Is that a letter dated October 17,
1386 1986?
1387 . A Yes.
1388 . Q From you to the National Endowment?
1389 . A That's right.
1390 . Q And what is the purpose of that letter?
1391 . A The purpose of that letter was for further
1392 humanitarian aid for the freedom fighters, a gift to help.
1393 . Q And does that notify them of a wire transfer?
1394 . A Yes, it does.
1395 . Q And what is the amount of the transfer?
1396 . A \$100,000.
1397 . Q Mrs. Garwood, I direct your attention to Garwood
1398 Exhibit 2-F for identification, which is the April 15, 1986,
1399 letter.
1400 . A Yes.
1401 . Q From you to the National Endowment. Does that
1402 letter also notify Mr. Channell of a wire transfer of money
1403 as well as the transfer of stock?
1404 . A Today I have wired \$470,000 to your account--yes, it
1405 does.
1406 . Q And the amount of that transfer is \$470,000?
1407 . A That's right.
1408 . Q And that transfer also relates to the weapons list

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1409 | that you received from Mr. Channell?
1410 | . A The desperate condition of the freedom fighters.
1411 | yes.
1412 | . Q Which included?
1413 | . A Which included the weapons, yes.
1414 | . MR. FRYMAN: I ask the reporter to mark as Garwood
1415 | Deposition Exhibit 2-I for identification a letter from Mrs.
1416 | Garwood to Mr. Channell dated October 3, 1986.
1417 | . [The following document was marked as Garwood
1418 | Deposition Exhibit 2-I for identification:]
1419 |
1420 | ***** INSERT *****

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1421 BY MR. FRYMAN:

1422 Q Mrs. Garwood, I direct your attention to Garwood
1423 Deposition Exhibit 2-I for identification. Is that a copy
1424 of a letter which you sent to Mr. Channell dated October 3,
1425 1986?

1426 A Yes.

1427 Q And does that notify Mr. Channell of a wire
1428 transfer of funds?

1429 A Yes, it does.

1430 Q And what is the amount of the transfer?

1431 A Ninety thousand.

1432 Q And is that the transfer from the Patrick Henry
1433 Foundation that you referred to earlier?

1434 A I believe it is.

1435 Q And what was the purpose of that contribution?

1436 A That was for humanitarian aid to the freedom
1437 fighters.

1438 Q Was that for weapons also?

1439 A No.

1440 Q How do you know that was not for weapons?

1441 A It wouldn't have been made from the Patrick Henry
1442 Foundation if it was for weapons.

1443 MR. FRYMAN: I ask the reporter to mark as Garwood
1444 Deposition Exhibit 2-J through 2-U 12 pages of documents
1445 related to Mrs. Garwood or her husband's account at the

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1446 Inter First Bank in Austin, Texas.

1447 [The following documents were marked as Garwood

1448 Deposition Exhibit 2-J through 2-U for identification:]

1449

1450 ***** INSERT *****

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1451 . BY MR. FRYMAN:

1452 . Q Mrs. Garwood, I direct your attention to Garwood
1453 Deposition Exhibit 2-J for identification. At the top of
1454 the page is a copy of a check numbered 9049, is it not?

1455 . A That's right.

1456 . Q And is that a check on your husband's account?

1457 . A Yes.

1458 . Q The signature on that check, Saint John Garwood?

1459 . A Yes.

1460 . Q Was that signed by you?

1461 . A That is signed by me. I had his power of attorney.

1462 . Q And the second check on that page, check number
1463 6948, is that a check on your account?

1464 . A That is on my account, that's right.

1465 . Q And is that signed by you in your name?

1466 . A That's right.

1467 . Q Will you examine each of the pages which represent
1468 Garwood Deposition Exhibits 2-K through 2-U for
1469 identification?

1470 . A Yes.

1471 . Q And look at the checks on each of those pages, and
1472 tell me if each of those checks is signed by you, either in
1473 your name or your husband's name?

1474 . A Yes.

1475 . Q If you would look at each.

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1476 . A They are. That's right. That was one of the first
1477 checks.
1478 . Q You are referring to--
1479 . A The small check.
1480 . Q Check number 375?
1481 . A 375, yes.
1482 . Q On Garwood Deposition Exhibit 2-P, is that correct?
1483 . A That's right. You see it is smaller than the
1484 others.
1485 . Q Right. That is a check from the book that you
1486 carried in your purse?
1487 . A In my purse, that's right. that is too.
1488 . Q And by that you are referring to check 331?
1489 . A 331.
1490 . Q On Garwood Deposition Exhibit 2-Q?
1491 . A Yes.
1492 . Q Each of the checks on those exhibits 2-J through 2-
1493 U was signed by you either in your name or your husband's
1494 name?
1495 . A Yes.
1496 . Q I direct your attention to Garwood Deposition
1497 Exhibit 2-J, and the check at the top, number 9049, drawn on
1498 your husband's account.
1499 . A Yes.
1500 . Q In addition to the signature on that check, did you

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1501 also write out the name of the payee and the amount of the
1502 check?

1503 . A Yes, I wrote everything on the check.

1504 . Q And did you also write underneath the amount the
1505 purpose for which the check was drawn?

1506 . A Yes.

1507 . Q And was that purpose written at the same time you
1508 signed the check?

1509 . A That's right.

1510 . Q Would you read the purpose stated there?

1511 . A 'To promote comprehensive, creative conservatism
1512 educationally.'

1513 . Q And who gave you that phrase to include on the
1514 check?

1515 . A Well, this was a general idea I got from Channell
1516 about what the American Conservative Foundation was for, and
1517 I had never heard him mention the American Conservative
1518 Foundation before.

1519 . When he asked me for a \$10,000 contribution, I
1520 didn't have that much in my account, so I asked my husband
1521 if he would help, and he said it was all right to send half
1522 of it from him and half of it from me.

1523 . Q Did Mr. Channell give you the phrase to write on
1524 the check?

1525 . A I don't think that exact phrase he gave me, no, but

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1526 | that was the general idea of what the Conservative
1527 | Foundation was for, so I really wrote it down for my own
1528 | information, because it was the first time I had heard him
1529 | mention.

1530 | This was another one of his organizations, the
1531 | first time I had heard him mention the foundation, and he
1532 | said that this was its general purpose.

1533 | Q Were you the originator of this phrase yourself?
1534 | A Yes.

1535 | Q And on the other check on that page drawn on your
1536 | account, 6948, does the same phrase appear?

1537 | A It does.

1538 | Q As the reason?

1539 | A That's right.

1540 | Q On Garwood Exhibit 2-K for identification, I direct
1541 | your attention to check 6893. Is the handwriting on that
1542 | check yours?

1543 | A Yes.

1544 | Q And what is the writing?

1545 | A Not FEC accountable?

1546 | Q Yes.

1547 | A A state donation to the American Conservative State
1548 | Election fund is not accountable to the FEC, and I reminded
1549 | myself that it isn't by putting this on the check.

1550 | Q Who told you it was not accountable? Did Mr.

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1551 Channell tell you that?

1552 . A We all know that any state election contributions,
1553 you look that up and what the FEC expects you to report, and
1554 they do not expect you to report anything given to a state
1555 election.

1556 . Q And the organization that was the recipient of this
1557 check was which organization?

1558 . A Was the American Conservative Trust State Election
1559 Fund.

1560 . Q On the same exhibit, Mrs. Garwood, I direct your
1561 attention to check 9026. Who was the payee on that check?

1562 . A Conservative Trust, American Conservative Trust.

1563 . Q And after that?

1564 . A State Election Fund.

1565 . Q Is that SEF? Does that represent State Election
1566 Fund?

1567 . A Yes, it does.

1568 . Q Did you write SEF there?

1569 . A No, I didn't.

1570 . Q Do you know who did?

1571 . A I suppose the person who received it, Emergency
1572 Committee to Save Reagan Revolution, for TV commercials for
1573 SDI deployment.

1574 . Q Let me just ask what is the writing on the lower
1575 portion of the check underneath the amount? What does that

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1576 | state?

1577 | . A Yes, it was what I just read. 'Emergency

1578 | Committee to Save Reagan Revolution.' Then underneath

1579 | that, 'for television commercials for SDI deployment.'

1580 | . Q Does that sound like--

1581 | . A State Election Fund?

1582 | . Q Yes.

1583 | . A It could be, for the ads for people who were

1584 | running for state legislatures, and some of them were for

1585 | the SDI deployment and some of them were not, and if they

1586 | were not, this was a donation to inform people in the ad

1587 | that they were not for SDI deployment.

1588 | . Q What was the source of your information that you

1589 | wrote at the bottom of this check?

1590 | . A It was undoubtedly Mr. Channell.

1591 | . Q I direct your attention to Garwood Exhibit 2-L for

1592 | identification, which contains copies of three checks of

1593 | yours.

1594 | . A State Election Fund, yes.

1595 | . Q On each of those you have written, not--

1596 | . A FEC accountable.

1597 | . Q And you wrote that phrase on each check?

1598 | . A I did, yes.

1599 | . Q And that was for what purpose?

1600 | . A When I was adding up the amount of donations I had

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1601 given to election funds, I would not include this because
1602 state election funds were not included.

1603 . Q But you wrote that on the check at the time you
1604 signed the check?

1605 . A I did.

1606 . Q Is that correct?

1607 . A Yes.

1608 . Q I direct your attention to Garwood Deposition
1609 Exhibit 2-M for identification, and particularly check
1610 number 6675 at the top.

1611 . A State Election Fund.

1612 . Q Would you identify the payee of that check?

1613 . A Anti-Terrorism American Committee, yes; State
1614 Election fund for people running for legislature or governor
1615 or whatever in a state election.

1616 . Q And who gave you that information?

1617 . A Mr. Cliff Smith, requested by Cliff Smith.

1618 . Q And on the payee line of that check, there are the
1619 initials SEF.

1620 . A Yes.

1621 . Q Is that your handwriting?

1622 . A That is not, but it is already in my handwriting
1623 down here.

1624 . Q And the free state election fund you wrote on the
1625 check at the time you signed the check?

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1626 . A Yes.

1627 . Q Is that correct?

1628 . A That's right.

1629 . Q I direct your attention to Garwood Deposition

1630 Exhibit 2-0 for identification, and particularly the check

1631 at the top numbered 6746. That is payable to Sentinel, is

1632 it not?

1633 . A Yes.

1634 . Q And what is the purpose written on that check?

1635 . A That says for educational purposes, 504(c)(4)

1636 organization.

1637 . Q Is that your handwriting?

1638 . A That is in my handwriting.

1639 . Q And what is the source of your information for

1640 that?

1641 . A The source of my information was either Mr.

1642 Channell or Mr. Smith.

1643 . Q And you wrote that on there at the time you signed

1644 the check?

1645 . A Yes. That would have included ads for people who

1646 were running for office. It could have included state

1647 election fund people, educational purposes to ^{educate} ~~education~~ the

1648 electorate as to the views of the person who was running for

1649 office.

1650 . Q But it could have been used for expenditures in

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1651 particular political campaigns?

1652 . A It could have been, yes.

1653 . Q As you understand it?

1654 . A Yes, in the state.

1655 . Q And in Federal elections as well or just state?

1656 . A No, just state.

1657 . Q On that check you have no indication of a state

1658 election fund?

1659 . A No.

1660 . Q Do you?

1661 . A No, I don't, but I have a feeling that those were

1662 for state purposes, yes.

1663 . Q On the same exhibit, Garwood Deposition Exhibit 2-0

1664 for identification, if you would look at the other two

1665 checks on that page, both dated December 1, 1986.

1666 . A Yes.

1667 . Q Those are also both payable to Sentinel, is that

1668 correct?

1669 . A That's right.

1670 . Q And one is on your account and one is on your

1671 husband's account?

1672 . A My husband's account.

1673 . Q And what is the purpose written on those requests?

1674 . A "Requested by Channell for legal work for a

1675 conservative."

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1676 . This was for the North Legal Defense Fund, and I
1677 asked him when he asked me for this, when I heard that there
1678 was a fund being set up by Colonel North's Navy comrades to
1679 send this back to me, ^{and} but he did. He sent back the 10,000.
1680 . Q What was the conversation that prompted the
1681 contributions reflected in these two checks? Was that a
1682 telephone call?
1683 . A That was a telephone call, yes.
1684 . Q And did that occur on or about December 1, 1986?
1685 . A Yes.
1686 . Q What did Mr. Channell say in that conversation, as
1687 you best recall?
1688 . A Well, he said that he had been examined by people
1689 who were breaking into--well, he had been accused, I think,
1690 of some participation in the Iran-contra affair unjustly,
1691 and that people had broken into his office and that they
1692 were going to examine his records, and so on.
1693 . He also told me that ^{he} he was going to help with the
1694 Legal Defense Fund for Colonel North, and he wanted some
1695 checks first made out to the American Conservative
1696 Foundation, which I told you I didn't recognize that name,
1697 and so he said he would use this to help Colonel North with
1698 the Legal Defense Fund.
1699 . I sent it to him, and then he called me back either
1700 the same day or the next day, and said that he had talked to

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1701 his lawyer and his lawyer said that since it was for a
1702 private person, it could not be used by the American
1703 Conservative Foundation, which I understand, and he asked me
1704 to make out the two checks to Sentinel instead, which I did,
1705 and then Mr. Andy Messing called me and asked me if I would
1706 make donations to the North Legal Defense Fund, and I told
1707 him that Spitz Channell had already asked me and I had
1708 already given, and he said, Well, that is a shame because
1709 Spitz Channell takes 35 percent of everything he gets from
1710 anybody, and also he said, It is a shame because Colonel
1711 North's Marine buddies are setting up an official North
1712 Legal Defense Fund, which appealed to me a great deal more,
1713 and I then called Channell and asked him to send back these
1714 two checks, send back the amount, and that I was going to
1715 give it to the North Legal Defense Fund, which I did.

1716 Q Mrs. Garwood, if you would look at Garwood
1717 Deposition Exhibit 2-P for identification, the second and
1718 third checks on that page are both payable to Western Goals
1719 Foundation, are they not?

1720 A That's right.

1721 Q Would you identify, or would you read and explain
1722 the purpose indicated on each of those checks?

1723 A That KAL?

1724 Q That is spelled K-A-L?

1725 A KAL refers to the Korean Airliner disaster, that

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1726 was shot down, on which Larry McDonald was a passenger, and
1727 they were doing--Western Goals, as you know, was founded in
1728 the beginning by Larry McDonald, Congressman Larry McDonald,
1729 and they were trying to do some research and something to
1730 clarify exactly how this happened. It was called the KAL
1731 Project, and I sent them \$100 for that.

1732 . Q And the second check?

1733 . A And the second check for \$500, I don't remember
1734 exactly what that was for. I have ''donation'' down there.

1735 . Q The word that appears there is ''donation''?

1736 . A That's right.

1737 . Q And I direct your attention, Mrs. Garwood, to
1738 Exhibit 2-R for identification, and specifically the check
1739 number 6600 at the top of the page. Is that a check for
1740 \$130,000?

1741 . A It is.

1742 . Q To the National Endowment?

1743 . A Yes.

1744 . Q And what is the purpose of that check that you have
1745 written on the check?

1746 . A ''Requested by Mr. Channell for support of freedom
1747 and democracy''--is that what it says, yes--''for support of
1748 freedom and democracy.'' This was supporting, I am sure,
1749 the humanitarian aid to the freedom fighters.

1750 . Q What is the source of the phrase that you wrote on

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1751 there?

1752 . A That is my own phrase.

1753 MR. FRYMAN: I ask the reporter to mark as Garwood
1754 Deposition Exhibit 3-A through 3-G for identification seven
1755 letters from Oliver L. North to Mrs. Garwood which are a
1756 part of Exhibit 3.

1757 [The following documents were marked as Garwood
1758 Deposition Exhibit 3-A through 3-G for identification:]

1759

1760 ***** INSERT *****

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1761 . BY MR. FRYMAN:

1762 . Q Mrs. Garwood, I ask you to look at Garwood

1763 Deposition Exhibit 3-A for identification. Is that a letter

1764 dated May 24, 1985?

1765 . A Yes.

1766 . Q To you from Colonel North?

1767 . A It is.

1768 . Q And would you identify Garwood Deposition Exhibit 3-

1769 B for identification?

1770 . A Yes, that is a letter from North to me.

1771 . Q Is that a letter dated September 20, 1985?

1772 . A Yes.

1773 . Q And you received this letter in the mail from Mr.

1774 North?

1775 . A Yes.

1776 . Q And is Exhibit 3-C a letter dated October 17, 1985,

1777 to you from Mr. North?

1778 . A That's right.

1779 . Q And you received this in the mail?

1780 . A Yes.

1781 . Q And is Exhibit 3-D a letter dated November 5, 1985,

1782 to you from Mr. North?

1783 . A Yes, it is.

1784 . Q And ^{he}~~you~~ also sent that in the mail?

1785 . A Yes.

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1786 . Q And Exhibit 3-E, is that a letter to you dated
1787 January 24, 1986, from Mr. North?
1788 . A Yes, it is.
1789 . Q And you received that in the mail?
1790 . A Yes.
1791 . Q And Exhibit 3-F, is that a letter to you from Mr.
1792 North dated May 2, 1986?
1793 . A Yes, it is.
1794 . Q And you received that in the mail?
1795 . A Yes.
1796 . Q And Exhibit 3-G is a letter to you from Mr. North
1797 dated July 23, 1986, is it not?
1798 . A Yes.
1799 . Q Which you received in the mail?
1800 . A Yes.
1801 . MR. FRYMAN: I would ask the reporter to mark as
1802 Garwood Deposition Exhibit 3-H for identification a letter
1803 contained in Garwood Exhibit 3 dated June 3, 1986, from
1804 President Reagan to Mrs. Garwood.
1805 . [The following document was marked as Garwood
1806 Deposition Exhibit 3-H for identification:]
1807
1808 ***** INSERT *****

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1809 . BY MR. FREYMAN:

1810 . Q Mrs. Garwood, I show you the exhibit that has been

1811 marked 3-N for identification. Is that a letter you

1812 received from the President?

1813 . A Yes, it is.

1814 . Q And that is sent to you in care of the American

1815 Study Center?

1816 . A Yes, it is.

1817 . Q Would you describe the circumstances under which

1818 you received this letter?

1819 . A It was a reception being given for my latest book,

1820 "'The Undying Flame,'" about Mariano Moreno of Buenos Aires.

1821 . Q And what is the American Studies Center?

1822 . A It is a center that publishes books and also puts

1823 on a radio program, Radio America.

1824 . Q And do you know what caused the President send you

1825 this letter on this occasion?

1826 . A Perhaps Jim Roberts, who is a friend of the

1827 Presidents, and is the chairman and head of the American

1828 Studies Center, let him know that there was a reception that

1829 was to be given for me for the book.

1830 . MR. FREYMAN: I ask the reporter to mark as Garwood

1831 Deposition Exhibit 2-V for identification a letter contained

1832 in that exhibit from Mrs. Garwood to Mr. Osborne dated

1833 January 31, 1987.

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1834 . [The following document was marked as Garwood

1835 Deposition Exhibit 2-V for identification:]

1836

1837 ***** INSERT *****

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1838 . MR. OSBORNE: What letter we are on?

1839 . MR. FRYMAN: Off the record.

1840 . [Discussion off the record.]

1841 . BY MR. FRYMAN:

1842 . Q Mrs. Garwood, would you look at Deposition Exhibit

1843 2-V for identification. Do you recognize that letter?

1844 . A Yes.

1845 . Q And is that a letter you sent to Mr. Osborne?

1846 . A Yes.

1847 . Q And does that deal with the subject of contribution

1848 for Mr. North's legal defense which you described earlier

1849 this afternoon?

1850 . A It does, yes.

1851 . Q And does that describe the circumstances of the

1852 refund that you requested from Mr. Channell?

1853 . A Yes.

1854 . MR. FRYMAN: Mrs. Garwood, that concludes my

1855 questioning this afternoon. My colleagues now have an

1856 opportunity to ask questions also. We will start with Mr.

1857 Van Cleve who is on the House staff, and then there may be

1858 some questions following by Mr. Kaplan of the Senate staff.

1859 . I think as your counsel may have informed you, this

1860 is a joint deposition today between the House and the

1861 Senate. Before Mr. Van Cleve begins, I just want to note

1862 for the record that in advance of this deposition, I

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1863 provided to counsel for Mrs. Garwood copies of the
1864 resolution establishing the select committee and a copy of
1865 the rules governing the investigation of the select
1866 committee.

1867 . Shall we take a short break?

1868 . [Recess.]

1869 . MR. VAN CLEVE: Mrs. Garwood, I have had an
1870 opportunity to review my notes. I find I have no questions
1871 for you and I want to thank you for your appearance today.

1872 . EXAMINATION

1873 . BY MR. KAPLAN:

1874 . Q As you know, because I have spelled it for you for
1875 your book, my name is James E. Kaplan, and I am associate
1876 counsel of the Senate Select Committee that is investigating
1877 the Iranian arms sales and contra matters.

1878 . We are appearing here today at the request of your
1879 counsel, and at the invitation of your counsel, and we were
1880 glad to accommodate you. We have also provided a copy of
1881 our rules and regulations, our committee rules, and at the
1882 request of and to Mr. Loeffler, who also represented to us
1883 yesterday that he already had a copy of our committee
1884 regulations pursuant to which we appear here today.

1885 . There are areas of questioning that I am just going
1886 to follow up on. I will do my best not to duplicate any
1887 questions that Mr. Fryman asked. If you don't understand

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1888 any of my questions, please feel free to stop me and make me
1889 be more clear.

1890 . Q Do you know Lynda Guell?

1891 . A Yes.

1892 . Q And when did you come to know Lynda Guell?

1893 . A I knew her when my book Come to Me, ^{meghan} Meghan was
1894 coming out, and she was with the Western Goal Foundation,
1895 and I called to ask her for a good publicity agent it seems
1896 to me for the book, because I knew that Western Goals had
1897 put out several books, and that is how I happened to know
1898 her and had several conversations with her over the phone.

1899 . Q Was she helpful?

1900 . A She was.

1901 . Q Did you have any other contacts with Ms. Guell
1902 other than with respect to agents and promotion for the
1903 book?

1904 . A No, I didn't. Well, I did too. She asked me for a
1905 donation to help her go to Germany to speak to some of the
1906 people that Larry McDonald had been in contact with. This
1907 was after his death, and I did give her a donation for that.
1908 She had been very helpful in making suggestions about my
1909 book.

1910 . Q Any other contacts with Ms. Guell?

1911 . A That was all.

1912 . Q Did Mr. Channell ever explain how he had come to

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1913 Know Colonel North?

1914 . A No, he never did.

1915 . Q Did Colonel North ever explain how he had come to

1916 be involved with Mr. Channell?

1917 . A No.

1918 . Q Did Mr. Channell ever explain or represent that he

1919 had a relationship with the Reagan Administration of any

1920 sort?

1921 . A The only thing is a letter from President Reagan

1922 praising Mr. Channell for what he had done. That is the

1923 only specific occasion. We all knew that Mr. Channell was

1924 helping the Reagan Administration.

1925 . Q Did Mr. Channell show you that letter?

1926 . A He sent me the letter, yes.

1927 . Q And in what context did he send you that letter?

1928 . A Simply I suppose out of pride that the President

1929 had recognized what he was doing.

1930 . Q Was there any other representation by Mr. Channell

1931 about his relationship with the Reagan Administration?

1932 . A No.

1933 . Q Did you ever meet the President other than at the

1934 one meeting that you described in your testimony earlier

1935 today?

1936 . A I never had a private meeting except that one

1937 meeting. I had met the President in his 1976 campaign. I

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1938 had been on his campaign plane.

1939 . Q What about Andy Messing? Do you know Andy Messing?

1940 . A Yes.

1941 . Q And how did you come to know Andy Messing, and

1942 when?

1943 . A I met him at a meeting of the Council for National

1944 Policy, one of the early meetings after I had become a

1945 member, and he was at that time I think working for the

1946 Conservative Caucus, which was Howard Phillip's

1947 organization, and I had known and been in contact with the

1948 Conservative Caucus for some time.

1949 . Andy Messing was there at that meeting. He is a

1950 member of the Council for National Policy.

1951 . Q How would you describe your relationship with Mr.

1952 Messing? Was it a close one? Were you in regular contact

1953 with Mr. Messing?

1954 . A Whenever we met at the Council for National Policy,

1955 he would describe to me some of his trips to Central

1956 America, where he took Congressmen down to see what was

1957 going on in Nicaragua, and to persuade them that there

1958 really was a dominant communist influence in the Sandinista

1959 Government.

1960 . Q Was there ever any reason for you to believe that

1961 there was a professional relationship or connection between

1962 Mr. Messing and Mr. Channell?

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1963 . A No.

1964 . Q And what about between Mr. Messing and Colonel

1965 North?

1966 . A I knew he was a fellow Marine and he introduced me

1967 to Colonel North.

1968 . Q That's right, you testified about that.

1969 . With respect to your dealings with Mr. Channell's

1970 organizations, you mentioned Cliff Smith earlier in your

1971 testimony today.

1972 . A Yes.

1973 . Q Who else in Mr. Channell's organizations did you

1974 have an opportunity to deal with over the time?

1975 . A There was a man named Littledale, Chris Littledale,

1976 and a man named Dan Conrad.

1977 . Q And what were your contacts with Mr. Littledale?

1978 . A Simply I was introduced to him. Mr. Channell came

1979 to Austin with Mr. Littledale to work for Carol Rylander,

1980 who was running for the Congress against the democrat

1981 Pickle, and Mr. Littledale was with him.

1982 . I met him there at lunch, and then I had a

1983 conversation when he had asked for a donation for something

1984 that Mr. Channell, one of Mr. Channell's organizations.

1985 . Q Is that the sum and substance of your contacts with

1986 Mr. Littledale?

1987 . A That is it.

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1988 Q What about your contacts with Mr. Conrad?

1989 A It seems to me that Mr. Conrad was the man in

1990 charge of--I don't know whether he is the treasurer or not,

1991 but I think he is of Channell's organizations, and something

1992 to do with the donations maybe, something he may have asked

1993 me for some donation at one time, or verified that something

1994 has come from me to the Channell organizations.

1995 I don't think it was anything very particular.

1996 something in general.

1997 Q Were you a member of the Board of Advisers of the

1998 National Endowment for the Preservation of Liberty?

1999 A I don't think I was ever called a member of the

2000 Board of Advisers. Maybe I was. I am just not sure.

2001 Q Were you a member of the Board of Advisers of the

2002 American Conservative Trust?

2003 A In some letter it seems to me Channell has me down

2004 as a member, as one of the advisers of one of those

2005 organizations. Which it is, and whether he even has it down

2006 I don't know, but I have a vague feeling that he did call

2007 me, but I don't remember any, you know, really occasion of

2008 being asked whether I would be on the board or anything like

2009 that.

2010 Q So then I take it you didn't have any special

2011 duties?

2012 A No.

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2013 . Q As a member of either of those boards?

2014 . A Not at all.

2015 . Q Have you ever met a John Molt Hull?

2016 . A Never have met him, no.

2017 . Q What do you know about Mr. Hull?

2018 . A I know something about him through Mr. Vern Cheney,
2019 who said that he had had correspondence with him, he helped
2020 with ^{the} Dooley Intermed Corporation or Foundation, and that
2021 he lived in one of those countries. I have forgotten which
2022 one; I think it is Honduras.

2023 . Q And what else did Mr. Cheney tell you about Mr.
2024 Hull or Intermed, Inc.?

2025 . A He simply told me that Mr. Hull was helping with
2026 some transportation, ambulance boats that he was sending
2027 down, that I had helped pay for, and Mr. Hull was helping
2028 get them delivered or helping get the materials, maybe an
2029 engine or something for them.

2030 . Q How and when did you meet Mr. Cheney?

2031 . A Simply I have have been giving for many years
2032 donations to the Dooley Intermed, which takes care of
2033 refugees with medical supplies, and in general helps
2034 refugees fleeing from totalitarian countries. After Dr.
2035 Dooley died, Dr. Vern Cheney took over, so I just continued
2036 my contributions. I did them in the beginning when Dr.
2037 Dooley was there.

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2038 . Q In the documents that were turned over by your
2039 counsel pursuant to the subpoena that was issued by the
2040 House committee, there were some pieces of correspondence by
2041 Mr. Hull?
2042 . A Yes.
2043 . Q How did you come to receive that correspondence?
2044 . A He said Dr. Cheney had told him about me, and he
2045 wanted to, he was very interested in what I was doing, and I
2046 had been helping with the humanitarian aid for the freedom
2047 fighters, so he wanted to correspond with me, and he was
2048 living down there, and he thought highly of the freedom
2049 fighters, and so on.
2050 . Q Did you correspond back to him?
2051 . A I wrote him back, yes. It was a very interesting
2052 letter, it seems to me, that he wrote me, and I wrote him
2053 back.
2054 . You see, I am going to write a book about all of
2055 this some day.
2056 . Q Earlier today you testified that you never
2057 understood any funds of yours, any contributions to the
2058 Channell organizations to be used for purposes in Nicaragua
2059 other than humanitarian aid.
2060 . A Yes.
2061 . Q Then a little later on in your testimony, you
2062 testified that you made in total a multi-million-dollar

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2063 contribution.

2064 . A Yes.

2065 . Q Pursuant to and in response to an ammunitions--

2066 . A Request.

2067 . Q --arms list and request that you had received from

2068 the Colonel.

2069 . A Well, when I made the first statement it must have

2070 been that I was talking about the time before I made this

2071 contribution.

2072 . Q I just wanted to clarify that for the record.

2073 . I am going to take you back in time to April, 1986.

2074 . A Yes.

2075 . Q When you described group meetings that occurred at

2076 Hay Adams Hotel. Do you recall the names of other potential

2077 contributors that attended those group meetings?

2078 . A I think I named some of them, yes, Mr. and Mrs.

2079 Ramsey and a Mr. and Mrs. Pentacost, and Mr. and Mrs. Warn,

2080 and ~~Mr. and Mrs.~~ Mrs. Adamkiewicz, A-d-a-m-k-i-e-w-i-c-z, or

2081 something like that. Dr. Mary Adamkiewicz, a very strange

2082 name. It is down there somewhere.

2083 . MR. KAPLAN: I think we need to mark this.

2084 . BY MR. KAPLAN:

2085 . Q I will show you a copy of a letter that is part of

2086 your production, and at the bottom of the letter in the left-

2087 hand column here, there is a spelling of Dr. Adamkiewicz's

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2088 name.

2089 . A Yes.

2090 . Q I believe that corresponds with the spelling you

2091 just gave the court reporter?

2092 . A A-d-a-m-k-i-e-w-i-c-z.

2093 . Q Was a Searcy Ferguson in attendance at the April

2094 meeting?

2095 . A Who?

2096 . Q A Searcy Ferguson.

2097 . A No, not that I know of. I don't remember that

2098 name.

2099 . Q What about a Ricardo Capote?

2100 . A I don't remember that name either.

2101 . Q When did you meet John Singlaub?

2102 . A I met him at a meeting of the Council for National

2103 Policy in Arizona, and the exact date, and I am not sure, I

2104 think it was 1985.

2105 . Q What did you understand the purpose of donations

2106 that you made to John Singlaub to be?

2107 . A Those were all to help humanitarian aid for the

2108 freedom fighters. Boots was one of them, and then another

2109 was the helicopter that was transformed into a medical

2110 evacuation helicopter, for which I paid the ^{transformation}~~transportation~~

2111 part.

2112 . Q Did you intend any of the funds to be used for the

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2113 purpose of arms or ammunition?

2114 . A Not at all.

2115 . Q Did Mr. Singlaub ever meet with you with

2116 administration personnel, that is people from the White

2117 House?

2118 . A No.

2119 . Q Or the like, or the National Security Council?

2120 . A No.

2121 . Q How often did you meet with Major Singlaub?

2122 . A The first meeting, which was in Arizona, the second

2123 meeting, which was in Dallas at the United States Council

2124 for Freedom, two-day conference, two- or three-day

2125 conference, and the third time was just recently, but you

2126 aren't going into 1987, are you? Another Council for

2127 National Policy Conference.

2128 . Q Did you understand there to be any professional

2129 relationship or connection between Major General Singlaub

2130 and Mr. Channell?

2131 . A No.

2132 . Q Did you understand there to be any professional

2133 relationship between Major General Singlaub and Colonel

2134 North?

2135 . A I didn't ever consider that there was any

2136 professional relationship. They certainly knew each other.

2137 . Q How did you know that they knew each other?

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2138 . A I don't absolutely know, but I know there were
 2139 times it seems to me when General Singlaub was talking to
 2140 ^{me} ~~him~~, mentioned Colonel North.
 2141 . Q Do you recall the context in which he mentioned
 2142 Colonel North?
 2143 . A NO, I don't, and Colonel North never mentioned him.
 2144 . Q Did you know a Major Gil Macklin in the United
 2145 States Marine Corps?
 2146 . A No.
 2147 . Q That name is not familiar?
 2148 . A It doesn't sound familiar at all.
 2149 . MR. OSBORNE: What was that name, counselor?
 2150 . MR. KAPLAN: Major Gil Macklin, M-a-c-k-l-i-n.
 2151 . BY MR. KAPLAN:
 2152 . Q I recall that you appeared briefly on Sixty
 2153 Minutes.
 2154 . A Oh, really?
 2155 . Q Back in September of 1986?
 2156 . A That is one of the things I didn't see, and all my
 2157 friends evidently did.
 2158 . Q Did you consult with anybody before submitting to
 2159 your Sixty Minutes interview?
 2160 . A No.
 2161 . MR. OSBORNE: Can we go off the record a minute?
 2162 . [Discussion off the record.]

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2163 . BY MR. KAPLAN:

2164 . Q You testified earlier today that you gave a copy of

2165 a munitions list that you had received from Mr. Channell to

2166 Ms. Glanz?

2167 . A Yes.

2168 . Q At Inter-First Bank, and Mrs. Glanz then showed it

2169 to Mr. Osborne?

2170 . A Yes.

2171 . Q And I believe Mr. Osborne volunteered that a search

2172 had been conducted for that list, and that list had not been

2173 turned up.

2174 . A Yes.

2175 . Q I take it that it is fair to say that the list that

2176 you are thinking of and described earlier today is the same

2177 list that Mr. Osborne is thinking of and was referring to

2178 when he stated that a search had been made for it?

2179 . A Yes.

2180 . Q And so we can assume that the two of you discussed

2181 that?

2182 . A Yes.

2183 . Q Specifically in terms of conducting your search

2184 pursuant to the House subpoena?

2185 . A That's right.

2186 . MR. KAPLAN: If I can have a moment to consult with

2187 my colleagues.

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2188 . [Discussion off the record.]
2189 . MR. KAPLAN: If we can have the reporter mark as
2190 Garwood Exhibit 3-I a document that appears in Garwood
2191 Exhibit 3.
2192 . [The following document was marked as Garwood
2193 Deposition Exhibit 3-I for identification:]
2194
2195 ***** INSERT *****

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2196 BY MR. KAPLAN:

2197 Q With reference to the document that has just been
2198 marked as Garwood Exhibit 3-I, are you able to identify that
2199 document, and/or to explain to us what it is all about?

2200 A It is very difficult to figure it out, but now I
2201 see what it is. Mrs. Glanz asked Mr. Channell to give her
2202 the amounts that he in general had raised, said it seems to
2203 me you are asking Mrs. Garwood for too much, and he said,
2204 But he had raised a lot from other people too. She said,
2205 Well, then, will you let us know how much you raised from
2206 other people.

2207 So then he sent this list, and that was it, what he
2208 had raised from other people.

2209 Now, the names that went with this I destroyed, I
2210 took out, because he was not supposed to send me the names
2211 and I just cut them off, so I don't know who gave what, but
2212 that is what you see; if you want to count how many other
2213 people there were, you can count those.

2214 Q So I take it then the column on the left is a
2215 portion of a list that was provided to Ms. Glanz by Mr.
2216 Channell?

2217 A Yes.

2218 Q And what is the column on the right?

2219 A I really don't know. I can't imagine what it is.

2220 Q Is that just a continuation of the list? Is it a

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2221 running total maybe?

2222 . A Can you tell what that is?

2223 . MR. OSBORNE: Can we go off the record a minute?

2224 . [Discussion off the record.]

2225 . MR. KAPLAN: Back on the record.

2226 . While we were off the record all of us put our

2227 heads together and were perspicacious enough to recognize

2228 that the column on the right of this Garwood Exhibit 3-I is

2229 identical to the column on the left.

2230 . Based on that, I withdraw my previous question of

2231 the witness.

2232 . If I can just clarify my earlier statement, the

2233 total at the bottom of the list constitutes the total of

2234 each column plus what Mrs. Garwood and her counsel

2235 identified off the record as the total of her contribution

2236 to the various Channell organizations.

2237 . BY MR. KAPLAN:

2238 . Q Isn't that correct, Mrs. Garwood?

2239 . A That's right.

2240 . Q When Mr. Messing told you back in December of 1986

2241 that Mr. Channell took 35 percent of contributions made to

2242 his organizations, what was your reaction to that statement?

2243 . A I thought it was more than I had realized that he

2244 was taking. I was surprised and rather disappointed.

2245 . Q Did you believe Mr. Messing?

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2246 . A I rather did. He asked me to call someone else and
2247 verify it, but I didn't.

2248 . Q Who did he ask you to call?

2249 . A He asked me to call Mr. Paul Weyrich.

2250 . Q And for the record, who is Mr. Weyrich?

2251 . A Mr. Weyrich is the head of something called the
2252 Free Congress Foundation, and he has various pursuits along
2253 that line of helping the Heritage Foundation.

2254 . In many ways he may have helped start the Heritage
2255 Foundation. As a matter of fact, he did.

2256 . Q Did you ever discuss with Mr. Channell Mr.
2257 Messing's statement?

2258 . A Yes, I did.

2259 . Q When was that?

2260 . A I think it was in the conversation we had in
2261 December, when he called me, and he talked about how he was
2262 being accused of being a part of the Iran-contra affair, and
2263 I told him either then or when I asked him to send the
2264 donations for Colonel North for the Legal Defense Fund of
2265 Colonel North, and I think it was that same conversation,
2266 yes, to Andy Messing's organization, which was the Marines'
2267 Official North Legal Defense Fund, is what it was called,
2268 and then I said, But how is it that you are taking 35
2269 percent of everything we give you or something like that,
2270 and I think he^y laughed it off or something.

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2271 . Q Did you press him on it at all?

2272 . A I beg your pardon?

2273 . Q Did you press him on that?

2274 . A Press him on it?

2275 . Q Yes.

2276 . A I doubt it.

2277 . Q Have you made any contributions to Mr. Channell's

2278 organization since the time you requested the contribution

2279 back for the North Legal Defense Fund?

2280 . A No, I have not.

2281 . Q Why is that?

2282 . A Because I don't intend to. I am disappointed and

2283 disillusioned by the 35 percent take that he is purported to

2284 take, which he actually didn't deny. I don't believe he

2285 denied it. And also because I am very disappointed in the

2286 continual obstacles thrown up to the Reagan foreign policy

2287 by the State Department, and I have mentioned that before,

2288 today.

2289 . Q Has Mr. Channell solicited funds from you over the

2290 course of the last couple of months?

2291 . A No, but one of his men did, Chris Littledale called

2292 and asked me for something and I told him, No, that I wasn't

2293 going to give it.

2294 . Q When did he call?

2295 . A It was I think sometime maybe in January this year.

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2296 . Q And what did you tell Mr. Littledale?

2297 . A I said, No, I wasn't going to give anything more.

2298 . Q Did you give him a reason why you weren't going to

2299 be giving any more money?

2300 . A I don't know that I did. I said, You know, I am

2301 not giving any more right now.

2302 . Q Did you have any reason to suspect that Mr.

2303 Channell was taking a cut as big as 35 percent, prior to

2304 your conversation with Mr. Messing in 1986?

2305 . A The only thing that made me a little suspicious was

2306 when he told me he had a surplus in NEPL, and if he sent

2307 back that refund, would I send that on to the American

2308 Conservative. *Trust.*

2309 . I must say that that seemed a little odd to me,

2310 that he was taking too much, more than he needed evidently,

2311 and I didn't like it.

2312 . Q Did you tell him before December, 1986, that you

2313 didn't like it?

2314 . A No.

2315 . Q So I take it you kept these suspicions to yourself?

2316 . A Yes, I just kept them to myself.

2317 . Q Was there anything about Mr. Channell that caused

2318 you not to question?

2319 . A Yes. I think he had a great desire to help the

2320 country, and he was a patriotic person, I really think, and

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2321 I still think this, and that he was doing a job that was
2322 needed by the administration, and nobody else was doing it
2323 as well as he was.

2324 . You could tell that by the people who came to all
2325 of his meetings, a great many people, and you can see by the
2326 donations they gave him.

2327 . Q You will notice Mr. Woodcock, my colleague, is
2328 offering me questions, and I am going to feel a little bit
2329 like Jerry Mahoney, a knucklehead. But I will ask this
2330 question in any event.

2331 . Was there anything about Mr. Channell's
2332 relationship with Colonel North that led you not to question
2333 Mr. Channell's integrity or provision of funds to the places
2334 that you intended your money to go?

2335 . A Well, certainly the fact that he brought me to talk
2336 to Colonel North, and what he asked me for later was related
2337 to what Colonel North had said, although Colonel North
2338 didn't ask me, and this seemed to me a guarantee that this
2339 was the executive department of the Government that was
2340 asking for this help, and that it was essential and that it
2341 was going to the right place.

2342 . Q And was it Mr. Channell who conveyed that feeling
2343 to you?

2344 . A The fact that Mr. Channell took me to see Colonel
2345 North, who was part of the National Security Council, and

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2346 | who was part of the administration, of the executive
2347 | department of the administration, was a kind of reliable
2348 | gesture on his part. I would think.
2349 | Q So I take it it is fair to say that Mr. Channell
2350 | and Colonel North conveyed that impression to you?
2351 | A They did, yes.
2352 | MR. KAPLAN: I have no further questions.
2353 | Thank you very much. You have been very patient.
2354 | [Whereupon, at 5:10 p.m., the taking of the deposition was
2355 | concluded.]

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DEPOSITION OF LT. GENERAL PHILIP C. GAST

Thursday, June 18, 1987

U.S. House of Representatives,
Select Committee to Investigate
Covert Arms Transactions with Iran,
Washington, D. C.

The Committee met, pursuant to call, at 3:10 p.m.,
in Room H-328, the Capitol, Joseph Saba presiding.

Present: Joseph Saba, Roger Kreuzer, Bob Genzman,
on behalf of the House Select Committee.

John Saxon, on behalf of the Senate Select Committee.

Also Present: Jerome H. Silber, General Counsel,
Defense Security Assistance Agency, Department of Defense.

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by N. Menan, National Security Council

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1 Whereupon,

2 LT. GENERAL PHILIP C. GAST, was called as a
3 witness, and having been first duly sworn, was examined
4 and testified as follows:

5 EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

6 BY MR. SABA:

7 Q Sir, would you please for the record state your
8 name, rank, organization and present station.

9 A I am Philip C. Gast, with one "l", P-h-i-l-i-p,
10 C., Gast, Lt. General, Air Force. I am the Director
11 of the Defense Security Assistance Agency, and my office is
12 in the Pentagon.

13 Q And, sir, can you tell us how long you have
14 been at that station and what was your immediate station
15 prior to this?

16 A I have been the Director of the DSAA since
17 I believe it is 11 August, 1982. Prior to that time I
18 served a two-year tour as Director for Operations in the
19 Joint Chiefs of Staff.

20 Q And, sir, to whom do you report in your present
21 duty?

22 A Dr. Fred Ikle, Under Secretary for Policy in the
23 Defense Department.

24 Q Would you describe very briefly for us what
25 your duties consist of?

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1 A My principal duty is to implement the approved
2 security assistance programs on a worldwide basis. In
3 general, sir.

4 Q In general, sir, what information do you
5 normally provide to your superiors concerning the
6 disposition of arms transferred?

7 A Arms that have already been transferred?

8 Q Yes, sir.

9 MR. SILBER: I am sorry, I don't understand.

10 EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

11 BY MR. SABA:

12 Q Asked another way, do you keep track of how the
13 transferee country uses the arms?

14 A Oh.

15 Q Or otherwise disposes of them.

16 A Yes, yes.

17 The first thing is I would say when a country
18 does transfer them by our law and by agreement between
19 our two governments, they must seek approval from the
20 United States before they transfer them. And we are
21 generally involved in that although that is principally a
22 State Department function to approve them, but we have a
23 voice in that depending on the nature of the transfer.

24 Q And --

25 A And to the level of visibility. So far as

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4

1 compliance with the use of them we have security
2 assistance organizations in the country who monitor
3 generally the usage of the equipment and then we all watch
4 for intelligence reports that might indicate that somebody
5 is thinking of moving or contemplating moving them.

6 Q Could you elaborate a bit on our mechanisms
7 for keeping track of the weapons that we have
8 transferred?

9 A The strongest -- if it is a cash sale or it
10 has been subsequent to the new MAP procedures which is the
11 sale in itself, the strongest principal here is the
12 government to government agreements, that they shall not
13 do that; and a clear understanding with them even before
14 we begin a security assistance relationship, but throughout
15 the whole procedure, that is to say they must sign to
16 that and if it is an old MAP program then our people have
17 the duties to ask for reports about the location and the
18 general condition of the equipment. But that generally
19 is prior to '77 or '78.

20 MR. SAXON: And MAP stands for what?

21 THE WITNESS: Old military assistance program.
22 That was the old program where we bought it and gave it
23 to them. Now again we provide funds or they have their
24 own national funds and they procure.
25

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5

1 BY MR. SABA:

2 Q This was for equipment, what you referred to
3 as the old MAP program is for equipment transferred
4 prior to when?

5 A Generally prior to '76, '77, '78.

6 Q And is monitoring of that equipment continuing?

7 A Yes, that continues. The reason is because its
8 U.S. title and assets have been transferred to them unless
9 we have waived reversionary rights and we have reversionary
10 rights to that, and so when they have finished with that
11 old equipment under the old programs, then they even have
12 to have permission from us before they can destroy it or
13 put it out of use or, certainly transfer. Under the newer
14 procedures since '76, '77, so forth, even though we may
15 provide funds for them, appropriated funds from Congress,
16 that is, it is a sale and they have title to it and we
17 have no reversionary rights so we are not tasked by the
18 law to physically monitor its end use because it is their
19 equipment.

20 MR. SILBER: Can I make one correction. The
21 new MAP procedures started in '82, but most of old MAP
22 was programmed by '77 or '78, but there was a hiatus where
23 old MAP procedures were still used and there was a small
24 program that was being delivered out.

25 THE WITNESS: That is right, yes.

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1 BY MR. SABA:

2 Q Focusing on the old MAP program or weapons
3 transferred under that system in which the United States
4 had reversionary rights. Focusing specifically on Israel,
5 how do we keep track of those arms?

6 A Well, I don't really -- I doubt if we have
7 very much MAP equipment under the old system in Israel.

8 MR. SILBER: No, Israel never got any MAP.

9 THE WITNESS: I just don't think we have any
10 under that system.

11 BY MR. SABA:

12 Q Jerry, I do appreciate your help but I must have
13 the testimony from the sworn witness.

14 MR. SILBER: I am sorry.

15 MR. SABA: I need the information from his
16 knowledge.

17 THE WITNESS: As I recall, I just don't believe
18 there is any MAP equipment under the old program.

19 BY MR. SABA:

20 Q What about as an example, HAWKS and TOW missiles
21 that were transferred to Israel after 1967 but before 1976?

22 A To my knowledge -- I don't know about that part
23 of history. I really don't. You know, as to whether or
24 what kind of program was there. I can only say to my
25 knowledge since I have been in my position that we do not

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1 have a system where we go around and inspect or even
2 account for items provided to Israel.

3 Q So that if there is equipment in Israel transferred
4 under the old MAP program, is it your testimony that at
5 the present time we have no way of monitoring their use or
6 disposition of that equipment.

7 A Except by agreements that we have with them.

8 Q But I understand -- just so I understand, I
9 understand that for that old MAP program we retained
10 reversionary rights.

11 A That is right.

12 Q And we monitor those.

13 A We monitor them in the sense that -- the first
14 thing is I don't believe we have any old MAP equipment
15 there. We have not had a security assistance office in that
16 country since I can recall, and I doubt if we ever had one.

17 There is a defense attache there who does some
18 work in security assistance, but it is very, very, very
19 minimal, usually arranging conference rooms, hotel
20 rooms for people who come in whenever there are
21 conferences in Tel Aviv.

22 Many of us go to Israel frequently on visits
23 to conduct business but the most of the security assistance
24 or arms transfers is a direct relationship between their
25 government and Washington or even the New York procurement

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1 office and ourselves.

2 Q Would most of this equipment have been
3 transferred by means of an agreement called "United States
4 Department of Defense Offer and Acceptance"?

5 A A lot of it would. But there is quite a bit of
6 equipment that is provided under a commercial sale to
7 Israel as well but I don't think any of the things that
8 you are concerned about if you are concerned about HAWKS
9 or other things would have been sold commercially.

10 Q I would be concerned about HAWKS and TOWs.

11 A I doubt if they would have been sold
12 commercially, I don't think they would have been. They
13 would have been under the 1513, LOA. DD Form 1513.

14 MR. SAXON: LOA is what?

15 THE WITNESS: Letter of Offer and Acceptance.
16 It is a standard form that has been developed over the
17 years. And has all the matters of law in it and
18 some policy.

19 BY MR. SABA:

20 Q You have before you now, sir, a form entitled
21 at the lower left "DD Form 1513".

22 A That is the one.

23 Q And is this the document which would constitute
24 an agreement between the United States and a transferee?

25 A Yes, that is right.

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1 Q And, sir, I would call your attention specifically
2 to page 3 of that agreement and with apologies for the
3 small print, I would draw your attention to the underlying
4 sentence --

5 A Under 9?

6 Q Underlined sentence in paragraph 9 and ask
7 whether your understanding is that that paragraph, in
8 particular that sentence controls the further disposition
9 of the weapons by a transferee country?

10 A Let me read it, please.

11 MR. SILBER: You mean paragraph B-9?

12 MR. SABA: Yes.

13 (Exhibit No. PCG-1 was marked for identification.)

14 THE WITNESS: This is a, virtually a lift-out of
15 the law and it is the agreement for the transfer of
16 equipment.

17 BY MR. SABA:

18 Q Thank you.

19 With respect to transfers, sir, pursuant to this
20 agreement to Israel, and specifically focusing on HAWK
21 and TOW transfers, what steps if any has your agency
22 undertaken to keep track of or to police if you will, this
23 clause in our agreement with Israel?

24 A Specifically with Israel?

25 Q Yes, sir.

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1 A I don't think that I would be accurate by saying
2 any more so for Israel than for other countries
3 in the sense of how we track these things, except on
4 occasion we have had some concern about some of the items
5 they were procuring in my business as to whether they were
6 quantities or not that should be procured.

7 Q But my question is how do we keep track of the
8 equipment?

9 A Well, I only -- only through discussions with
10 them. You know, I don't ever recall them or seldom recall
11 hearing them suggesting they want to transfer things but
12 there have been discussions about them transferring either
13 the articles or portions of it that have U.S. content in
14 it. You may remember the Kafir sale discussed for
15 Honduras, for example.

16 It is usually through intelligence sources
17 that we look for anyone who might be in the arms transferring
18 business or who might be contemplating a sale or movement
19 of that. We watch for that, we and the State Department
20 who has the lead but we support them in that.

21 MR. SAXON: We should say for the record for
22 clarity purposes for subsequent readers of the deposition
23 that the language in B-9 actually says that with regard to
24 whatever defense articles, components and associated
25 support material is purchased it says, the recipient "shall

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1 not use or permit their use for purposes other than those
2 authorized by B-8 above unless the written consent of the
3 USG"-- meaning the United States Government -- "has first
4 been obtained."

5 BY MR. SABA:

6 Q Further to that, B-8 above states, that the
7 items sold shall only be used for the purpose specified in
8 bilateral or regional defense treaty to which the U.S.
9 Government and purchaser are both parties, if subparagraph A
10 of this paragraph is inapplicable.

11 A Yes.

12 Q Returning, sir, to the question I had as to
13 monitoring, does the defense attache in Israel undertake
14 any activities to monitor the disposition of weapons
15 transferred pursuant to this agreement?

16 A I don't know that he has a -- I do not believe
17 that he is tasked on drawing on law or policy except that
18 all of us who are involved in this are going to be looking
19 for any illegal transfers, of course.

20 Q So it is correct to say that there is no
21 formal requirement whether a matter of law or policy to
22 task specific individuals with monitoring this equipment?

23 A To either count or observe, but in certain
24 conditions there may be a policy, for example, and this
25 does not refer to Israel because they didn't refer to

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1 them but to man pads, and Stingers of course as
2 you know we have a requirement to go out and inspect them,
3 but that is because of congressional and administrative
4 concerns because they may be used for terrorists, we want
5 to be sure they are closely controlled.

6 MR. KREUZER: What is a man pad, sir?

7 THE WITNESS: It is a man packed air defense
8 weapon, the Stinger for example. And there are policy
9 directions for example on certain sensitive equipment
10 and the Stinger is one of them where there has been great
11 concern that one might fall into terrorist hands and
12 therefore we do go around about once a year and insist
13 upon a check to be sure that all of those are accounted
14 for.

15 The concern here being that they would fall into
16 terrorist hands.

17 MR. KREUZER: Could I ask just one more question,
18 in relation to what Mr. Saba was discussing, in the history
19 of the Security Assistance Agency, has there ever been an
20 occasion where the Security Assistance Agency has cited
21 anyone or fined anyone or prohibited further sales to
22 anyone or taking any censure or action against any country
23 who, say, transferred weapons to a third country where
24 sales had been prohibited where you have taken action,
25 you have fined or have taken punitive action against anyone

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1 at all because of you, through monitoring you discovered
2 that someone had violated the provisions of this agreement
3 that we are talking about here, Exhibit 1?

4 THE WITNESS: I am sure I have, but I don't
5 remember any of them personally, on my watch.

6 I know that we have worked with State and others
7 to show concern about some that, that countries have not
8 shown high regard for that and to try to track them down
9 to see whether in fact people were violating the agreement
10 or not.

11 I know that State Department has taken some
12 actions, and one or two have been classified and
13 reported to Congress on countries that did transfer some
14 arms. Our agency continues to routinely express concern
15 in dealing with countries about the transfer. It is just
16 a matter of course in our relationship with them, particu-
17 larly when we are forming a new relationship with a country
18 to be sure that they understand fully the agreement
19 that we are going to require that they sign before we
20 initiate any program so that they will understand it.

21 Some countries take a long time before they
22 decide they want to do business with the United States
23 because they don't like to do, to sign this. They think
24 their sovereignty is being -- by signing this agreement.
25 It is a one-sided agreement, very one-sided they would

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1 argue. But all of them to my knowledge comply with it.
2 It is a very, very fast document. There is no other
3 document in the world insofar as arms transferring.

4 MR. KREUZER: Wasn't there an occurrence or
5 occurrences in the recent past involving for example
6 parts from F-14 TOMCAT Navy fighters that got -- that
7 were suspected of having gone from Israel to Iran, for
8 example?

9 A If there was, I was not part of that. Not that
10 action. I was not party to that action.

11 BY MR. SABA:

12 Q Sir, do we, to your knowledge is there a
13 program, active solicitation of intelligence information
14 [REDACTED]
15 [REDACTED]

16 A I would say there is, yes.

17 Q And how does that work?

18 A Generally, the way it generally works [REDACTED]
19 [REDACTED]

20 that if anyone sees
21 an intelligence report, it is evaluated or we try to
22 evaluate it, sometimes we track it down but our members in
23 other countries where it is rumored to have been transferred
24 or people are talking about it to see if they know anything
25 about it. This is all generally reported through the
intelligence people to the ISA or ISB who becomes very

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1 concerned about it. From a political level as well as
2 compliance with the law and also the State Department. It
3 would be the State Department that would generally take
4 the action or would enter into a dialogue with the country
5 when there is a serious concern.

6 Q Would you routinely see all such intelligence
7 reports?

8 A No, I wouldn't routinely see it. I get stacks
9 every day but many of us are looking for that.

10 Q My question is not that you necessarily would
11 personally read everything but my question is whether that
12 material would routinely come to your attention?

13 A Yes, I would say it would routinely come to my
14 attention. Of course the people in DIA who provide this
15 material to me obviously screen it itself to see if there
16 is any value in it.

17 Q Would you also see intelligence information from
18 the CIA?

19 A Some, quite a bit, CIA reports probably more
20 than they should. Some of it is hardly believable frankly.
21 They report to much that it is very hard to determine,
22 to know what is behind some of it. They listen to any
23 source and put out a report and it becomes a little
24 frustrating, but --

25 Q [REDACTED]

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A [REDACTED]

Q And would you also receive information from the State Department?

A Some, yes.

Q So it would be correct that intelligence information from various agencies [REDACTED]

[REDACTED] generally routinely come to your attention for review?

A It comes to me for review, there is only one or two of us that see it because of the [REDACTED]

[REDACTED] It is very highly classified. A lot of it is very highly classified.

Q Since the time you have been director of the office, 11 August, 1982, have you had occasion to see reports concerning [REDACTED]

A I have seen allegations to that effect. [REDACTED]

[REDACTED] We have tracked that. I have expressed concern about it just because of the number of reports that we see. Those are reported on up but to my knowledge no one has ever been able to really determine that there had been an illegal transfer.

Q Are these reports frequent in this period over the five years?

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1 A Oh, I would say, oh, every 3 or 4 months,
2 something like that. But if you have been around for
3 a while you would focus on them.

4 Q In the entire five-year period do you recall
5 having seen reports of detailing allegations of Israeli
6 transfers of HAWKS or TOWs to Iran?

7 A No. None whatsoever.

8 MR. SAXON: General, let me follow up on something
9 you said with regard to seeing allegations but no --

10 THE WITNESS: Or information, yes.

11 MR. SAXON: But no hard evidence to confirm
12 these allegations. I don't want my question to be
13 misunderstood because I am not alleging any insincerity
14 on the part of the Pentagon or lack of effort because I
15 understand our relations with our allies are delicate and
16 there are lots of considerations and so forth, but has
17 there been a concerted effort to investigate these
18 allegations or is it more a gentlemanly asking ahead of
19 State or Defense Minister of another country, are you doing
20 this, and they say, well, of course not, and we accept
21 it and drop it?

22 THE WITNESS: I want to put something in context
23 and then try to answer your question.

24 The principal concern that we have had for
25 country to include Israel is not whether they are

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1 transferring the end item itself because that is very
2 difficult to do, one can see that this agreement is
3 violated, but the principal concern -- one of the principal
4 concerns we have is whether technology that they procure
5 is used in another weapons system or not, and sold abroad
6 which is a violation of our agreement as well.

7 That is harder to determine as to whether the
8 technology has been put in. It not only applies to Israel
9 but other countries. You know, are they reverse engineering
10 or are they using the material which can be used to upgrade
11 a system that they are designing and providing themselves?

12 That is the principal concern that we have had
13 with Israel and with other countries.

14 There has been a great deal of discussion with
15 Israel and with other countries as to whether or not
16 this is ongoing and we express this concern quite often
17 to countries. To my knowledge there has not been a formal
18 investigation. We have talked about it, we have sat down
19 and reviewed the data and I have talked to our representa-
20 tives in some other countries which would lead you to
21 think that maybe this is occurring, and we have not been
22 able to determine whether it is or not. But on the
23 other hand, I must hasten to add that I have received
24 no guidance to cool it, either. We have all been looking
25 because we view it as a very serious thing. But one doesn't

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1 go to a country based on allegations either until you have
2 something in hand that you feel comfortable with. I mean
3 on a specific case.

4 BY MR. SABA:

5 Q Focusing on the 1985 year, do you recall receiving
6 any reports from whatever source that Israel had been
7 involved in a transfer of TOWs or HAWKS to Iran?

8 A No, not that I can recall.

9 Q No information from [REDACTED]

10 A No. I do not recall any. If I did, I am sure
11 it would have sparked my interest but I don't recall seeing
12 any.

13 Q All right, sir.

14 MR. SILBER: Is that transfers to Iran or to
15 anybody?

16 MR. SABA: To anybody.

17 THE WITNESS: Right, HAWK or TOWs.

18 BY MR. SABA:

19 Q HAWK or TOWs. I did not ask Iran. I asked
20 to anyone.

21 A Right.

22 Q Had Israel made any requests that you are aware
23 of to transfer HAWKS or TOWs to any third party in 1985?

24 A Not that I am aware of.

25 Q Had any paperwork been presented to you in

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1 anticipation of a possible request for a transfer of HAWK
2 or TOWs to anybody in 1985 by Israel?

3 A Under the Arms Export Control Act?

4 Q My question is --

5 A Not in that regard.

6 Q My question is general.

7 A All right, well so far as transferring of
8 equipment through the FAA, Foreign Assistance Act, or
9 Arms Export Control Act, no, however as I mentioned to
10 you in our informal discussions in early May, there was
11 this issue of TOWs and/or HAWKs that were being discussed.

12 Q And this was when, sir?

13 A Early -- May was when I think I was interviewed.

14 MR. SAXON: May 7.

15 MR. SILBER: Of this year.

16 BY MR. SABA:

17 Q I see. You are referring to an interview that
18 took place this year 1987, May.

19 A Yes, and I think I replied.

20 Q In which John Saxon was present.

21 A Yes.

22 Q I see. Your reference to May is not May of
23 1985?

24 A No, it is not. No.

25 Q Just so I have it clear, so I have a clear record,

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1 I understand your testimony that in 1985 you had no
2 information concerning transfer by Israel of HAWKS or TOWS
3 to any third party and -- is that correct?

4 A That is right. I was totally surprised when I
5 read about the revelations that any had been.

6 Q Second, is it correct to say that your testimony
7 is that in 1985 you had no paperwork or inquiries that
8 might have been preliminary in some way to a request for a
9 transfer of HAWKS or TOWS by Israel to some third party
10 country?

11 A That is right, yes.

12 Q All right, sir.

13 I would like to turn specifically to the events
14 of November 1985 and is it correct, sir, that in the week
15 of November 19, 1985 you were not at your office at the
16 Pentagon?

17 A I am going to refer to a piece of paper if you
18 will, because I anticipated this might come up and I
19 asked my secretary to search our records as to the period
20 I was away.

21 Q Yes, sir.

22 A I have that here.

23 MR. SABA: Can we go off the record for a
24 moment then.

25 (Discussion off the record.)

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1 BY MR. SABA:

2 Q Back on the record.

3 General Gast, I understand that you are going
4 to refer to a document prepared by your secretary. It
5 would be Exhibit 2 for this deposition. I would ask you
6 to explain the document which will become Exhibit 2.

7 (Exhibit No. PGC-2 was marked for identification.)

8 THE WITNESS: I would be glad do. I asked my
9 secretary I believe on the 17th --

10 MR. SILBER: Yesterday.

11 MR. SABA: 17 June of this year.

12 THE WITNESS: Yes. Because of anticipation
13 in this deposition that questions might arise as to when I
14 was in Washington for duty, and she has typed for me from
15 her records that indicate when I was away on temporary
16 duty out of Washington.

17 BY MR. SABA:

18 Q And this record is from your secretary's
19 memorandum or calendar?

20 A Files, yes.

21 Q Is it prepared from your own calendar?

22 A I don't know. I failed to ask her where. I
23 presume it is from the actual record of temporary duty
24 that you have to file travel voucher for and all that. It
25 is probably an accurate record though, she is very precise.

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1 Q This document will be Exhibit 2.

2 Sir, can you tell us where you were on the week
3 of 19 November, 1985?

4 A From, her information indicates that I was
5 absent from Washington 15 November '85 through the 23rd.
6 Presumably I was in my office on the 14th and I am not
7 sure whether the 24th is a weekend or not but I returned
8 to Washington on the 23rd.

9 The principal purpose of the trip was to go to
10 Pakistan where we have consultative group meetings that
11 usually last several days. When we are traveling we
12 normally take advantage of the time distance and we went
13 by Bahrain, a few of us did and I had business in Germany
14 on the way home as well.

15 Q Do you recall that her record of this period is
16 correct?

17 A I would think that it is correct, yes. I would
18 say that it is.

19 Q And you recall being in Pakistan approximately
20 at that time?

21 A Yes, I do, yes.

22 Q Fine. Sir, on return to Washington, to your
23 office in Washington did you have occasion to be briefed
24 by your staff?

25 A Yes. As is my practice when I am gone away for

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1 them to brief me on all happenings of any significance
2 while I am gone.

3 Q Would it have been in the normal course of
4 business that Dr. Henry Gaffney would have provided you
5 with such a briefing on your return?

6 A Yes.

7 Q And --

8 A Normal course in the sense of that he would come
9 to see me or Mr. Rudd or anyone, you know, with anything
10 of significance.

11 MR. SILBER: If Rudd was there --

12 THE WITNESS: I am not sure whether Rudd was --
13 there or not.

14 MR. SAXON: That would be Mr. Glenn Rudd, the
15 Deputy Director.

16 THE WITNESS: Mr. Glenn Rudd would have been the Acting
17 Director and I presume he was there because we had tried
18 to avoid both of us being gone at the same time.

19 It is not always possible but --

20 BY MR. SABA:

21 Q Do you recall if on that particular week
22 Mr. Rudd was in Washington or not? And would it help if
23 I indicated that Mr. Rudd has in another deposition
24 indicated that he was at a conference that week in Hawaii.

25 A It is very likely he might have been because

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1 that -- oh, yes, I remember that. I think I remember
2 that because -- he probably was at -- if he was gone at
3 that time he would have been at the Pacific Commander's
4 Security Assistance Conference, and that is traditionally
5 in November and that was one of the occasions where we
6 just simply had to have representation there. I normally
7 go to them. It is seldom I do not go to them, but due to
8 the importance of this meeting in Pakistan it was felt
9 one of us needed to go to them, and I chose to go to the
10 one in Pakistan.

11 Q In the absence, you and Mr. Rudd's absence, who
12 would be the acting director of --

13 A It is normally Dr. Gaffney.

14 Q Is it your recollection of that week that
15 Dr. Gaffney was the acting director?

16 A I would say so, yes. I would say so.

17 Q And upon your return to the office, did
18 Dr. Gaffney have an occasion to brief you as to the
19 activities in the office while you were gone?

20 A I am sure he did. If there were some
21 activities conducted during that time period he would
22 have told me about it. I have no reason to think that
23 he would not have. Although I don't remember the precise
24 discussion or the matters discussed.

25 Q I am going to show you a document and I will

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1 give you a few moments to take a look at it, and we will
2 have it marked Exhibit 3 for this deposition.

3 (Exhibit No. PCG-3 was marked for identification.)

4 MR. SILBER: Can we just go off the record for
5 a second.

6 MR. SABA: If you wish, we can go off the record.
7 (Discussion off the record.)

8 BY MR. SABA:

9 Q Back on the record.

10 Let the record show that General Gast has had a
11 few moments to review Exhibit 3.

12 Sir, do you recall Dr. Gaffney providing you a
13 copy of this paper upon your return to the office?

14 A I do not recall the paper per se when I returned
15 to the office. I just simply do not recall.

16 Q Can you -- can you tell us what you do recall in
17 your own words?

18 A I recall this while I was gone there were some
19 discussions about HAWK. I remember being surprised that
20 there were even discussions about the HAWK to be transferred
21 to anyone, particularly Iran.

22 MR. SAXON: Why do you say that?

23 THE WITNESS: Well, I say it because to my
24 knowledge we did not have a relationship with Iran. I saw
25 that that would be, in my view, quite illogical from the

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1 point of view of foreign policy implications to
2 transfer something to Iran and given the stance we have
3 taken on the Gulf War.

4 BY MR. SABA:

5 Q Was it your understanding that there had been
6 a well-known and open public policy against transferring
7 weapons to Iran?

8 A Oh, yes.

9 Q Whether directly or consenting to a third party
10 transfer.

11 A Unquestionably, yes, because of the
12 Administrations position on neutrality, particularly not
13 wishing to provide aid to either side.

14 Q So you were surprised when the discussion came
15 up concerning HAWKS.

16 A Yes, very much so.

17 Q And what do you recall of that discussion with
18 Dr. Gaffney?

19 A I don't recall specifics but I am sure that I
20 was quite aghast at even that it had come up. I asked him
21 if -- I am sure I must have asked him if we provided them,
22 but I just don't recall the details. I more or less had
23 forgotten about it, you know, in fact the first time I
24 remember seeing this paper was when the call came to look
25 for records. That is the first time I recall seeing the

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1 paper although I acknowledge I must have seen it before.

2 Q Did Dr. Gaffney tell you that he was providing
3 this information to either Noel Koch or General Powell or
4 both of them?

5 A Noel Koch stands in my mind, that that would
6 have been the person he was providing it to.

7 Q Would it have been customary to have Noel Koch
8 to come to someone in your office to request such information?

9 A It would not be unusual. I expect at that time
10 he might have been the acting ASD as well, but I doubt it.
11 I am not sure that he was. But he may have been. Assuming
12 that he was, if somebody was contemplating doing something
13 like this or asking for information under those
14 circumstances, it would not have been unusual for Mr. Koch
15 to have asked us for the information.

16 Q Was it your understanding from Dr. Gaffney
17 that there were discussions and inquiries as to the possible
18 provision of HAWK missiles to Iran?

19 A I am sure there were, but the way I recall it
20 there were additional missiles to go to Israel -- come to
21 think about it I expect there was identification that they
22 would go to Iran. I am sure there were.

23 Q But you understood that Israel was the inter-
24 mediary?

25 A Yes.

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1 Q And did Dr. Gaffney indicate what the outcome of
2 this exercise was or would be?

3 A No, he did not. No. In fact both of us rather
4 assumed it would go away, I think.

5 Q Upon receipt of this information from Dr. Gaffney
6 did you make further inquiry of anyone, including Dr.
7 Gaffney?

8 A I would expect that normally that he and Glenn
9 Rudd and I discussed it together. We probably did. You
10 know, to say we did not would be wrong because that is
11 not our way of operations, you know, one was had we
12 provided the information that was requested and we
13 sufficiently caveated what we provided, the legality of
14 someone doing something with the information or to pursue
15 something, yes. Because that is my principal, one of
16 my principal duties is to advise people of compliance with
17 the law and I am -- it is my organization that finally
18 signs the documents that permits the transfer after it has
19 been approved by the State Department.

20 Q So your recollection is that at the time you
21 would have been concerned about the legality of a transfer?

22 A Yes.

23 Q A transfer of HAWK missiles by Israel?

24 A Yes.

25 Q Do you recall --

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1 A Under the Arms Export Control Act, yes.

2 Q Do you recall if you were satisfied that

3 Dr. Gaffney had sufficiently addressed the issue?

4 A I am sure that if I had I would have followed it

5 through, yes.

6 Q Do you recall making further inquiry on this

7 matter, whether at that time or at any time subsequent

8 to people other than Dr. Gaffney or Mr. Rudd?

9 A No, I do not.

10 Q Specifically I would be interested in whether

11 you had reason to make an inquiry or have a discussion

12 on this matter with Noel Koch?

13 A No, I don't believe that I did.

14 Q Richard Armitage?

15 A No, I don't believe I did.

16 Q General Colin Powell?

17 A No.

18 Q Under Secretary Taft?

19 A No.

20 Q Secretary Weinberger?

21 A No.

22 Q Dr. Ikle?

23 A No.

24 MR. SAXON: Did you inform Dr. Ikle about this?

25 THE WITNESS: No.

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1 MR. SAXON: Given that you reported to him is
2 there any reason in particular why you didn't?

3 THE WITNESS: Well, I reported to him. I also
4 wear another hat there as Assistant Secretary to ISA
5 and ISP for security systems policy and working with them
6 to develop policy. It isn't something that I would
7 intentionally keep from him. I am sure I must have felt
8 that the people had been informed of the legalities of it
9 satisfactorily without bringing it to his attention.

10 BY MR. SABO:

11 Q Do you recall at this time or any time subsequent
12 any discussions with any other person concerning HAWK
13 missiles and a transfer by Israel.

14 A No.

15 Q So that your recollection is that your
16 discussions were limited to Dr. Gaffney and perhaps
17 Glenn Rudd?

18 A Yes.

19 Q Do you recall in this period -- and I will begin
20 the period with July 1, '85 and end the period with
21 approximately January 18, 1986 --

22 MR. SILBER: This is when?

23 THE WITNESS: July '85 to January '86.

24 BY MR. SABA:

25 Q July 1, 1985 to January 18, 1986. My question

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1 for that period -- I have a few questions for this period.

2 A Okay.

3 MR. SAXON: If you are ready to go to the
4 broader period and leave the point paper I have a couple
5 follow-ups on that.

6 MR. SABA: I want to come back to the point
7 paper.

8 MR. SAXON: That is right. I want to go a little
9 further here at the moment.

10 EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

11 BY MR. SAXON:

12 Q Were there any inquiries that you know of by
13 anyone acting on behalf of the Israeli government as to
14 the price of HAWK missiles?

15 A No, I don't recall any, no.

16 EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

17 BY MR. SABA:

18 Q As to requirements, possibilities, modalities,
19 of possible transfer of HAWK missiles?

20 A I don't recall that.

21 Q I have the same questions as to TOW missiles.

22 A No. Same answer.

23 Q Any communications from the Israeli purchasing
24 office in New York that you know of in this period
25 concerning, in any way concerning HAWKs or TOWs?

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1 A I don't recall them. There may have been but
2 I don't recall any.

3 Q Were there any inquiries to you from anyone on
4 the National Security Council?

5 A No.

6 Q Concerning HAWKS or TOWs in that period?

7 A No, not that I am -- not that I can recall.

8 Q Returning back to Dr. Gaffney's point paper for
9 the sake of these questions which I have and perhaps
10 Mr. John Saxon has, again I would ask you if you recall
11 having received a copy of this paper, either upon your
12 return from your trip or at any period subsequent to then
13 in 1985 or 1986?

14 A Well, I believe I have already said that the only
15 other time that I can recall seeing the paper specifically
16 was when it was on the records search as a result of this.

17 Q All right.

18 A I also recall when I saw it, of having some
19 familiarity with it, at least the discussions or the
20 items in it. But I don't remember just when I saw it and
21 it probably was right after I returned.

22 Q All right.

23 A I had all but forgotten the subject, in fact
24 had forgotten about it.

25 Q Could you please turn to what is page 2 of this
exhibit.

end mas

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#2

jm 1

1 Sir, I would like to go through this paper briefly
2 asking you to look at the various statements and determine
3 whether the facts stated seem accurate for the period
4 involved, which was November 1985. Beginning at the very
5 top of the paper, the point saying, "missiles are available."

6 Do you recall if the facts are generally correct?

7 A If it is -- I accept the general characterization
8 that missiles would be available, that is probably true.
9 I don't know about the numbers or the country, but certainly
10 when asked for information we can definitely inform as to
11 other procurement or other purchases; so this is not an
12 unreasonable entry here at all.

13 Q Do you recall if at the time you were aware of
14 a shipment then in progress of approximately 100 HAWK
15 missiles to Israel?

16 A No, I don't recall that.

17 Q All right.

18 MR. SAXON: They would have on order since, I
19 believe, 1982?

20 THE WITNESS: I would not have known necessarily
21 that they were in transit.

22 BY MR. SABA:

23 Q That was not a fact that you were then acquainted
24 with immediately?

25 A No.

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jm 2

1 Q Moving to the next point, there are two numbers,
2 one, indicating approximate cost of \$300,000, and an estimate
3 as to replacement cost of approximately \$437,000 per piece.

4 Does that sound generally accurate for HAWKs at that
5 time?

6 A I really can't comment on that. I really -- I
7 could say that it is ballpark, but if someone were to ask
8 how much a HAWK missile costs, I would have to say I don't
9 know. I really don't.

10 Q Moving down the page to the point commencing with
11 the words "the modalities for sale to Iran present formidable
12 difficulties" colon, and there are three points. I would ask
13 you to comment generally as to the accurate at the time of
14 each of those three points.

15 A I would say, "1" is accurate.

16 Q So you believe it is accurate to state that Iran
17 is not certified for sales?

18 A Yes.

19 Q Directly as a third country, per section 3 of the
20 Arms Export Control Act?

21 A Yes.

22 Q And the next point sir?

23 A Yes, I would agree with Point 2 and 3.

24 Q Moving to the next paragraph, "that it is conceivable
25 this sale could be broken into three or four packages"; would

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jm 3

1 A Let me go back and make one small comment.

2 Q Yes, sir.

3 A He points out that the 30 days can be waived for
4 direct sales, but the third country transfer is on such
5 provision and notice must still be given. I agree with
6 the last part, but I think even a direct sale, it has to go
7 under another provision of the law that the Congress has to
8 be notified.

9 So it is not quite accurate, that particular
10 statement. They would have to be notified of a cash sale
11 or direct sale under another provision of the law.

12 Q All right.

13 Moving on to the next main paragraph commencing
14 with "It is conceivable that the sale could be broken into
15 three or four packages in order to evade congressional
16 notice," could you please look at that statement and the
17 next two points under that?

18 A I agree with both of those.

19 Q Do you know of any circumstance in which a sale
20 to a country under FMS or MAP was so broken into packages
21 to evade or avoid congressional notification?

22 A No, I do not.

23 Q Is it correct---

24 A Not on my watch.

25 Q Is it correct that during the period you were
director that it had been the spirit and the practice that

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jm 4

1 administrations had---

2 A Right, had lumped them together.

3 Q Had observed the notification requirement?

4 A Yes, sir.

5 Q Moving to the next page of the point paper, I
6 would ask you to look at each of the five sub-points there
7 and indicate whether you would generally agree with those
8 points in the context of the period, November 1985?

9 A I certainly agree with Number 1.

10 EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

11 BY MR. SAXON:

12 Q That being?

13 A If Iraq ever found out -- it begins that way --
14 there are five points here, and I will start at the top.

15 Q General, it would probably help for the record,
16 you don't have to read each of them, but just state
17 the essence of what the point is you agreed to.

18 A I would agree with the comment here that if Iraq
19 ever found out they would be greatly irritated.

20 I also agree with the point that Saudi Arabia
21 and other Gulf states would also be irritated and alarmed.

22 EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

23 BY MR. SABA:

24 Q Sir, as to those two points, would your agreement
25 be based on your own knowledge of our relations at that time

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jm 5

1 with those countries?

2 A Yes.

3 Q So that you would be willing to adopt those
4 comments as your own at that time?

5 A Certainly, yes. No question.

6 Q Please continue.

7 A As to the one, "If Israel were used as the laundering
8 country, they would be greatly encouraged to continue to
9 sell to Iran and to expand their sales"-- I can't quite
10 agree to the "continuing," because I have no knowledge that
11 they were continuing.

12 I don't know whether Hank Gaffney had felt that
13 he had that information or not, but I did not.

14 EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

15 BY MR. SAXON:

16 Q But would it be safe to say that they would feel
17 like any constraint on them would be removed?

18 A If they were so inclined, say, that that would
19 be the case. If Israel was so inclined to sell arms to
20 another country and we obliged, or agreed, or somehow or
21 another said yes, go ahead once, why, yes, people would
22 be inclined to pursue that. Whether they would do it,
23 illegally or not, I am not in a position to say. But I
24 am not saying, nor am I suggesting that Israel was, in fact,
25 selling to them, because I have no knowledge of it, that in

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jm 6

1 fact they were, if they were. If it were to become known,
 2 all bars would be removed from sales to other countries
 3 that are listed here, I would agree with that.

4 EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

5 BY MR. SABA:

6 Q What would be the bars that might have been
 7 referred to; could this be our own policy?

8 A This is U.S. policy in working with our allies
 9 and friends in order to try to end the war, to bring them
 10 to some sort of reconciliation, that we would not provide
 11 assistance to either country -- and we have been working very
 12 hard with other countries, particularly if it involved any
 13 of our technology obviously; but secondly, as a matter of
 14 policy for them not to sell.

15 Q Would you say it was correct at that time that we
 16 had had a policy of actively discouraging our allies and
 17 friends?

18 A Oh, I would say so. I can't recall the precise
 19 time, but I am sure that it was, because it has been a long-
 20 standing policy. Probably as I recall from the very begin-
 21 ning of the outbreak of the war, which was when, 19---

22 Q 1980.

23 A 1980. But I can't speak to the first two years,
 24 but certainly by then it was very clear policy.

25 Q Sir, referring to your travel schedule in the

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jm 7

1 period, November 1985 to approximately May of 1986, in which
2 you have visited a large number of countries including
3 Germany, Bahrain, Pakistan, Greece, Tunisia, Italy, Kenya,
4 Saudi Arabia, Jordan, Israel, Egypt, Turkey, Korea, Japan,
5 Philippines, Australia, Spain, Portugal, France and the
6 United Kingdom, would it be correct that on those visits,
7 or in connection with those visits, the issue of transfer of
8 arms to Iran would have arisen or that you would have
9 expressed your, the United States' policy against transfer
10 of arms?

11 A I doubt that ever came up, quite frankly, in
12 many of those discussions. I doubt if it did, because it
13 was such a well-known statement by senior Administration
14 officials. My work has to do with implementation of the
15 current programs or things they are thinking about procuring
16 and---

17 Q Would it be accurate then that it was understood
18 in those countries?

19 A Oh, yes, no question about that.

20 Q That we would oppose the transfer?

21 A Yes, but I don't recall there being an agenda
22 item of -- in any of my conversations.

23 Q All right.

24 Continuing, sir, to the last point. I would
25 ask you to comment on the general accuracy?

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jm 7

1 A On the last point?

2 Q Yes, sir.

3 A Yes, I would agree with that.

4 Q Thank you, sir.

5 I would ask you to take a look at the four pages
6 of handwritten notes, which follow the typewritten pages in
7 this exhibit?

8 A Right.

9 Q And I would ask you whether you had ever seen
10 anyone or all of them?

11 A On about the 12th of December of 1986, when the
12 records search produced them.

13 Q So you did not in November of 1985 or in or at the
14 present time prior to December 1986---

15 A I don't recall seeing these, any of these
16 attachments, no. I presume that these are Dr. Gaffney's
17 personal notes, tasking notes or something of that nature.
18 That is what they look like.

19 Q I want to move to another area, unless John
20 has some questions?

21 MR. SAXON: Let me ask a couple follow-up
22 questions on the Gaffney point paper, and your discussions
23 or any discussions you would have had with Dr. Gaffney.

24 Did you ask him when you returned from this trip
25 and he briefed you in some way, and you did recall something

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jm 8

1 along those lines---

2 THE WITNESS: Yes.

3 EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

4 BY MR. SAXON:

5 Q Did you ask him who had given him this mission or
6 who tasked him to provide this?

7 A I don't recall any specific questions. I am
8 sure that I did, though, because---

9 Q And could you recall what he might have told you?

10 A No, I don't. But I concluded that it was Noel
11 Koch, from the time period and all, but that is only a
12 conclusion on my part. I do not recall the specific
13 question.

14 Q Do you recall if he mentioned the name of General
15 Colin Powell?

16 A Well, I know that at the time when we, you know,
17 on the records search that came out, I really would be
18 speculating to say that he mentioned Colin Powell at that
19 time.

20 Q Do you recall if he mentioned the National Security
21 Council or that this was done---

22 A No, I don't recall that at all.

23 Q Do you recall if he mentioned this was being done
24 in order to prepare Secretary Weinberger for a meeting at
25 the White House?

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jm 9

1 A No, I do not.

2 Q Do you recall if he said or if you asked whether
3 this was done with the knowledge or approval of the Secretary
4 of Defense?

5 A No, I don't recall that.

6 Q Finally, do you recall asking him why he was
7 tasked with working up this information? Or do you recall
8 him saying why?

9 A Hear again, because he is very thorough and I
10 think I am, too, I am sure I asked those kinds of questions
11 as to the motivation of the background of what was behind
12 it. I think when I -- I remember when this document was,
13 through the records search, I think I remember it, being
14 surprised to recall that Iran was involved, because I just
15 simply forgot it, but it was there. But after reflection, I
16 am sure that I understood that Iran was involved, because
17 I am sure I saw this piece of paper.

18 As I said to you earlier, it was a complete
19 surprise to me, these revelations.

20 Q I want to ask one other question.

21 A I do believe I don't think I, at the time, thought
22 it was a serious undertaking though.

23 Q If I understand your last statement, you thought
24 this was being looked at, explored, but perhaps not a
25 serious---

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jm 10

1 A Right. I saw no evidence from there on that
2 would have caused me to rethink of it.

3 Q Would that, perhaps, explain why you saw no need
4 to go on to Dr. Iukle about it?

5 A I am going to presume that Noel Koch would again,
6 as I recall was the acting deputy for Mr. Armitage at the
7 time, Mr. Armitage would have been in that same conference^e_A
8 I was in because of the nature of the conference, that he
9 would have reported it through Dr. Iukle.

10 Q All right.

11 A But I certainly, I do not recall, nor do I believe
12 that I mentioned it to Dr. Iukle.

13 Q That is all I have on this.

14 EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

15 BY MR. SABA:

16 Q Sir, just one more question on the HAWKS for a
17 moment.

18 Do you recall if at any time after 19 November
19 1985, you might have seen some information to the effect
20 that roughly between the period 19 November 1985 and the
21 end of the month, there was, in fact, a transfer of HAWK
22 missiles from Israel to Iran?

23 A I do not recall seeing anything that would lead
24 me to think there was.

25 Q All right, sir, just after this briefing by Dr.

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jm 11

1 Gaffney, do you have any knowledge concerning any inquiries
2 made to your office concerning price and availability of
3 TOW missiles?

4 A I seem to recall that there was a similar
5 exercise, on reflection about it. But I can't recall
6 any details or the nature of that.

7 Q Do you recall -- when was this? Very shortly
8 after Dr. Gaffney spoke to you about the HAWK paper?

9 A It was probably -- no, I do not recall, but
10 it certainly has been more than a year. It is so far back
11 there that I can't really recall.

12 Q Do you recall being inquired of as to any specific
13 facts, price, availability?

14 A No.

15 Q Destination?

16 A No.

17 Q Do you recall seeing any paper from anyone,
18 draft or otherwise, being prepared in respect of TOW
19 missiles?

20 A I think I recall seeing a piece of paper with
21 numbers and prices. I think I recall seeing that, but
22 I can't put it into perspective or just where it was.

23 Q Do you recall who would have discussed that with
24 you?

25 A I think it was probably Mr. Glen Rudd. That is the
best that I can recall.

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jm 12

1 Q Do you recall the context of that conversation,
2 for whom he was preparing the paper, for example?

3 A I think it was for Mr. Armitage.

4 Q Am I correct, is it a paper you had requested?

5 A I don't know. I am trying to give you as honest
6 an answer as I can, and I would not say that it wasn't, but
7 I don't recall that I tasked someone to do that. I remember
8 the incident or something about it, but I do not recall any---

9 Q Do you remember being involved in the drafting of
10 such a paper?

11 A No, I do not.

12 EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

13 BY MR. SAXON:

14 Q I was just going to see if I could help you pin-
15 point this in terms of time.

16 A Sure.

17 Q I know we are asking you to do something difficult
18 because it was a year or year and a half ago.

19 A I understand, it is very important though.

20 Q And someone doesn't necessarily know at the time
21 there is any reason to remember it?

22 A No.

23 Q One of the things we found helpful in our many
24 interviews and depositions is people can peg things to, it was
25 before Christmas; it was after Thanksgiving; I got a call on

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jm 13

1 Superbowl weekend; my kids were going back to college, or
2 whatever; can you think of any other interests going on at
3 that time of people who were on leave, people who were
4 in the office, anything that helps you date this?

5 EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

6 BY MR. SABA:

7 Q Notice, for example, that on the 6th of December
8 1985, you had a trip to Hanscom Air Force Base in Massachusetts.
9 Perhaps that might help.

10 A No, it doesn't. No. I remember the trip, but
11 I don't remember it being linked to anything that would
12 spring my recollection on that.

13 Q In regards to this paper which you recall Mr. Rudd
14 was somehow involved in preparing, is it -- it was your
15 understanding that the paper was being prepared for Mr.
16 Amritage?

17 A Yes, I think so. It would have been someone
18 in ISA, either he or Mr. Koch, I am sure.

19 Q Do you recall ever being shown a final version of
20 that paper?

21 A No, I do not.

22 Q Do you have in your possession a final or a draft
23 version of that paper?

24 A No, no, we provided all that we had. I hope we
25 provided all we had. We conducted a very thorough search
in December.

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jm 14

- 1 Q I am not necessarily questioning that, sir, but---
- 2 A No, we do not.
- 3 Q But I must ask the questions.
- 4 A No, no.
- 5 Q Any notes that might have related to that paper?
- 6 A No, no.
- 7 Q Do you recall making any inquiry as to Mr. Armitage
- 8 about that paper?
- 9 A No, I do not.
- 10 Q Do you recall Mr. Armitage discussing it with you
- 11 on any occasion?
- 12 A I do not remember, no. I do not recall.
- 13 Q When I ask about any occasion, I mean not only
- 14 contemporaneously at that time, but at any time subsequent
- 15 up until today?
- 16 A No, but if I -- if I had had a conversation I
- 17 would not be surprised. I do not remember at all. It would
- 18 not be unusual.
- 19 MR. SILBER: What was the last date, up until
- 20 what time? You said any Armitage discussions---
- 21 MR. SABA: I was going to clarify that.
- 22 I am interested in any conversations you had with
- 23 Secretary Armitage after the 19th of November 1985, on the
- 24 subject of these TOW missiles.
- 25 THE WITNESS: I don't recall any conversations we had. We

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jm 15

1 may have had some. I just don't recall.

2 EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

3 BY MR. SABA:

4 Q Has the Secretary discussed this with you?

5 A No.

6 Q Has Secretary Armitage in 1987?

7 A No. The only discussion that he and I have had
8 on this whole matter was in -- was where we were
9 asked by the general counsel to provide any records
10 or any information we had.

11 Q Is this General Counsel Silber?

12 A Yes -- well -- or in the DOD.

13 EXAMINATION ON BEHALF OF THE SENATE SELECT COMMITTEE

14 BY MR. SAXON:

15 Q Mr. Garrett?

16 A Mr. Garrett. And we all agreed we would search
17 and provide anything we had and we would be very cooperative
18 with it.

19 MR. SILBER: With Secretary Armitage present?

20 THE WITNESS: Yes.

21 EXAMINATION ON BEHALF OF THE HOUSE SELECT COMMITTEE

22 BY MR. SABA:

23 Q Did you have any discussions concerning the inquiry
24 about TOW missiles with anyone other than Mr. Rudd?

25 A No that I can remember. And I am sure I talked

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1 with Mr. Rudd about it, because I think he was involved in
2 getting us some data, as I recall.

3 Q And I must ask the question -- Mr. Koch?

4 A No, I don't think I ever saw Mr. Koch on any of
5 this. I don't recall that.

6 Q General Powell?

7 A No.

8 Q Mr. Taft?

9 A No.

10 Q Secretary Weinberger?

11 A No.

12 Q Do you recall if Mr. Rudd reported to you that he
13 had in fact delivered a paper providing information about
14 Tows to anyone?

15 A Well, I am going to say that, yes, I do remember
16 generally about providing a paper on Tows.

17 Q To whom did he indicate they were to be provided?

18 A Here again, I would say that it is either Mr. Koch
19 or Mr. Armitage.

20 Q Do you recall if the discussion about Tows involved
21 Iran?

22 A No, I don't recall that.

23 Q Did it involve Israel?

24 A I suspect that it did. You know, it all puts
25 together that that would be the natural thing -- not natural

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1 but that there would be a connection between the two in
2 retrospect, but I don't recall specifically.

3 Q So it is your recollection now that you don't
4 recall whether this inquiry about Tows and this discussion
5 about Tows concerned Iran?

6 A No, I cannot say that it did.

7 Q General, let me ask you a broad question at this
8 point. We know that contemporaneously, Dr. Gaffney had
9 prepared a point paper on Iran and he had at least discussed
10 this with you in terms of Hawks.

11 A Yes.

12 Q We know that a few days, or sometime later, Mr.
13 Rudd is preparing information about Tows. Didn't it occur
14 to you that something was going on involving Israel and
15 perhaps Iran?

16 A Well, I am sure that it did. To say that my
17 interest was not piqued would be wrong, because we are very
18 concerned about transfer items and in view of our policies
19 out there.

20 All I am saying to you is I cannot recall
21 specifically, to answer your question as to whether it was
22 or not. But yes, I am sure that I was very inquisitive to
23 the extent that at least there had been a principal concern
24 of mine, one is whether people were contemplating using the
25 existing authorities for the transfer of articles or services

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under the Arms Export Control Act or the FAA. That I hold the responsibility to be sure that people do not violate the law.

MR. SILBER: Excuse me, did we establish that General Gast remembers that the Tow exercise was shortly after the Hawk thing? Was that your question?

MR. SABA: I will ask the question again if it remains unclear.

BY MR. SABA:

Q General Gast, do you recall the time span roughly between the discussion of the Hawk matter and the discussion with Mr. Rudd about the Tows?

A I would say that there was a space involved in there of time. I don't recall them being at the same time. I recall that -- I am sure that the Tow followed the Hawk in time.

Q In general terms, -- and it is important to us -- do you recall if that discussion was before or after Christmas?

A After, I would say. I would say it was probably after.

Q All right.

A But I don't know.

Q Do you recall if it was before or after the New Year?

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1 A No, no. I would say after.

2 Q How about the Super Bowl period?

3 A No, no, that doesn't help me.

4 Q You left for a long trip to Greece and Tunisia
5 and other places on January 14, 1986, returning the 17th of
6 February?

7 A Right. Yes.

8 Q Do you recall if it could have occurred before or
9 after that long trip?

10 A No, nor do I -- Would I even say that it did not
11 occur while I was on that trip. I am just unable to be pre-
12 cise on this.

13 Q We know now, sir, today, that in 1985, specifically
14 August and September, Israel transferred a large number of
15 Tow missiles to iran and we know that in November of 1985
16 a number of Hawk missiles left Israel and found their way to
17 Iran, and we know that these weapons were of United States
18 origin and were transferred to Israel presumably pursuant
19 to the agreement which is Exhibit 1.

20 MR. SILBER: Exhibit 1 is the LOA?

21 MR. SABA: Exhibit 1 is the LOA.

22 THE WITNESS: Oh.

23 BY MR. SABA:

24 Q To develop my question, we know that Tow missiles
25 were delivered in September '85, we know that certain

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5
1 quantities of Hawk missiles were delivered in November of
2 1985. That being the case, sir, what is being done about it
3 in terms of a violation of the United States/Israeli agreement
4 in respect of those weapons?

5 A Well, the first thing is you may know, I did not
6 know that missiles had been transferred at that time period.
7 That is your statement. I cannot verify that. I did not know
8 in fact that -- I don't recall knowing that there were any
9 missile transferred to Iran during that time period.

10 Making the assumption that your information is
11 correct, I do not know whether the Administration has taken
12 any action in that regard or not. If the State Department
13 knows about it, I presume that -- I don't know what the State
14 Department did about it. If the State Department knows there
15 were transfers made under the provisions of the 1515, that is,
16 to transfer them, then it is a matter of policy for them to
17 wrestle with that, but I am not aware of that.

18 Q Sir, we do have, if nothing else, public testimony
19 now from these hearings from Mr. McFarlane and Mr. Second,
20 and there is a fair amount of paper that has been generated
21 which is publicly available, indicating that those weapons
22 had moved.

23 My question is what is the United States Government
24 response to this, and specifically, your office, which is in
25 charge of transferring these weapons in the first instance.

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1 A Look, the -- let me say -- let me give you two
2 responses, one which is totally divorced from this case.
3 If a similar incident like this occurred, I am sure that the
4 Department of Defense and State would be consulting as to the
5 reports required to Congress, one, and the action to be taken
6 with the country. I have no question about that.

7 Given the circumstances here -- and I don't know
8 whether what you are saying is hearsay or whether it in fact
9 occurred, I just do not know. In fact, I am surprised to
10 hear you say that people testified -- largely because I have
11 been traveling so much again this year. But I am going to have
12 to assume that the Department of State, if in fact it
13 transferred, will be wrestling with what action should be
14 taken.

15 Q Am I correct, sir, that it would -- that no action
16 would initiate in your office?

17 A Well, no sir, it is the State Department matter
18 in deciding to, one, inform Congress that the law has been
19 broken, or there is a requirement to go to Congress, and
20 certainly it is a foreign policy matter as to whether they
21 will go to the country or not and take whatever action they
22 are going to take. They are the lead. They are delegated
23 as the lead on these matters.

24 Q My second question though -- and this is not meant
25 to be personal --

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1 A Surely.

2 Q -- is that isn't it unusual that you would not have
3 your own intelligence information quite apart from anything
4 I tell you in these proceedings, as to those transfers now,
5 a year and a half later?

6 A Well, let me put it this way. If in fact -- I
7 would think in most cases, due to the intelligence information
8 provided, one would know about something like this, okay?

9 If, on the other hand, a party really worked hard
10 to conceal it, conceal something, it is going to be harder
11 to find out.

12 Now, I am not implying that there was a devious
13 method here, or any of that, to transfer these, because I
14 cannot even be sure that it was done. I can say on the other
15 hand, though that as a result of the hearings that have been
16 going on, and the testimony going on, there is so much of it
17 that I find it very difficult for me to conclude what in fact
18 occurred, and has not occurred, and I have not spent a lot of
19 time trying to digest that information.

20 Q If I were to tell you that much of the basis for
21 the hearings and the testimony is intelligence information
22 generated in certain cases by State, CIA, [REDACTED] and DIA, I
23 am frankly surprised that you are not aware of the transfers
24 that were made.

25 A No, I am not. I am not aware of them. I don't

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8
1 recall being made aware of them, nor seeing anything that
2 would lead me to believe that there were transfers.

3 Q I want to move to another area.

4 MR. SAXON: I take it you are through with the Tow
5 paper?

6 MR. SABA: Yes.

7 MR. SAXON: I have one or two questions on that.

8 THE WITNESS: Yes.

9 BY MR. SAXON:

10 Q Do you recall any statement by Mr. Rudd that he
11 was told by Secretary Armitage that he was not to keep a
12 copy of the Tow paper and in fact was to turn any over to
13 Mr. Armitage where they would be locked in his safe?

14 A I do not recall that statement.

15 Q Do you recall any statement by Mr. Rudd, or for
16 that matter, by Dr. Gaffney, that they were told to destroy
17 any drafts, final copies, working notes, et cetera, with
18 regard to the Tow paper? Contemporaneously told that?

19 A No, I do not recall that, but I would not have
20 been surprised if even I had said to them that all information
21 has been provided, that people provided what they were asked
22 for and there need not be any record for it because it would
23 not be under our purview at all, and that would make clear to
24 the people in our discussion that I even reinforced it, I am
25 sure a couple of times, to people under Dr. Gaffney's point
paper that there was no way that this should be transferred

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1 under the AECA.

2 Q I want to ask a question that I don't want to be
3 misunderstood as either accusatory or as being one ^{that} is
4 easy for us to ask as the investigative bodies with the
5 benefit of hindsight, but with regard to the Hawks and
6 probably with regard -- possibly with regard to the Tows
7 in terms of Iran, but specifically the Hawks, you knew that
8 Iran was being discussed there?

9 A Yes.

10 Q You more~~or~~less were walked through by Mr. Saba the
11 point paper and essentially agreed with what Dr. Gaffney
12 had laid out, which is that Iran was not certificated to
13 receive these under the Arms Export Control Act.

14 Let me put it this way. There were at least
15 possible questions which could be raised?

16 A Surely.

17 Q When you were made aware of these matters, at any
18 point did you consult with Mr. Silber as the General Counsel
19 of the DSAA, or with Mr. Garrett, the General Counsel of
20 DOD, or anyone else?

21 A I do not recall that.

22 Q To raise a legal flag?

23 A No, I don't recall that. I remember -- I do
24 remember it being very clear, I remember it being clear in
25 my mind that people were adequately informed that it was not

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10

1 possible to do this under the AECA. Not legally possible.

2 Q Let's go off the record for a second.

3 (Discussion off the record.)

4 MR. KREUZER: Back on the record.

5 BY MR. KREUZER:

6 Q Sir, a few moments ago, Mr. Saba was discussing
7 with you about the revelation of Tow and Hawk transfers from
8 Israel to Iran and expl^oring whether or not you had your
9 intelligence information and had found any violations, and I
10 believe you responded that it would be something -- revelation
11 that initiation of action would occur in the State Department?

12 A Yes.

13 Q Could you expand on that and tell us essentially
14 who in the State Department would take cognizance of these
15 illegal transfers and how would that work?

16 A The general situation is -- and I am going to not
17 speak specifically to this, because I am not familiar with
18 the details as I indicated -- but the general situation is,
19 we all get this [REDACTED] information, okay?

20 A lot of speculation, unevaluated. One keeps that
21 and you know, in one's mind as you read it through. If, as
22 I on occasion would ask some of my people to check further
23 into it, okay, and not infrequently, I will go to the DIA,
24 who developed or provided the materials to me.

25 Q Who in DIA?

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1 A Mr. Al Berger, who is our liaison with DIA.

2 Q All right.

3 A I think he lives in other shops, but he happens to
4 be the point of contact for us.

5 I would, one, say to him, you know, has this been
6 provided to the policy people? And on occasion I will mention
7 it to one of the policy people that I am concerned about a
8 particular area that we have not been able to pursue further.
9 Maybe once every six months we hear of it.

10 Q That would be a policy person in [REDACTED]

11 A In [REDACTED] yes. Each of the regions within ISA I
12 think have a working relationship also with the bureaus in
13 the State Department, who get a lot of information, the same
14 kind of information. I think now, and I am not sure how long
15 it has been quite that way, it is in the PM office of the
16 State Department. I think they have a security organization
17 in there which I am sure they get a lot of information from
18 all the Services to include INR over there.

19 Q What is PM?

20 A Political Military Affairs.

21 Q INR?

22 A Intelligence Research, which is the intelligence
23 arm of the State Department. They have quite an intelligence
24 operation there. All of them feed into these people and you
25 will see messages occasionally beginning out, check whether

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1 something has happened, and the Embassy will come back maybe
2 every six months that happens. It graduates up to the State
3 Department to evaluate all this information.

4 Do I give a written report? I do not. I just
5 watch it and I bring it to the attention of others^r and I sort
6 of have an informal arrangement where we watch all of this
7 information.

8 Q But no such information came to you from the period
9 '85 to the present concerning possible transfers to Israel?

10 A No.

11 Q Did you perhaps in that time period provide any
12 similar information regarding suspicions about, say, transfers
13 to, another illegal transfer to another country -- not Israel,
14 but any other violations involving any other countries?

15 A Oh, I expect that I did. I think we expressed --
16 we have always been concerned about [REDACTED] -- and I am not
17 sure that should be on the record -- in fact, I am not sure
18 that I should be speculating about other countries which could
19 be sensitive that are not related.

20 Q We don't have to get specific, but there were other
21 countries?

22 A Oh yes, yes.

23 Q But not Israel?

24 A Yes, I do not recall Israel, yes.

25 MR. SAXON: Thank you.

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BY MR. SABA:

Q Sir, focusing on the period mid-November 1985, through February '86, were you aware of discussions between Glenn Rudd of your office and anyone else concerning the Tow missiles?

A I think I have already indicated that I seem to recall Tow missiles were a factor during that time period and I don't remember specific dates or specific nature of the paper. I seem to recall that somehow or another he was asked, and I presume it was either Mr. Armitage or Mr. Koch, to develop some what we would call rough order of magnitude of pricing, and I am sure that if he did that, he had to go to the Army to get that information.

Q Do you recall who he would have gone to?

A No, I don't know, no.

Q Do you recall the name William Jackson?

A Yes. That is probably where he would have gone. It would not be unusual for him to have gone there.

Q Why do you think Mr. Jackson would be the logical one?

A Because he is his counterpart in the Army assistance business on the Army staff.

Q Would Mr. Jackson have access to pricing data?

A Yes, yes.

Q Do you recall Mr. Rudd determining specific prices

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1 for various types of weapons?

2 A I seem to recall that. I am not sure. I think I
3 indicated earlier I think I had seen a paper, and if he was
4 asked to do something he did a very thorough job of it.

5 Q Did he report to you as to his activities, what he
6 was doing and for whom on Tow pricing?

7 A I think it was -- I am sure he did report to me.
8 I have no idea that he reported to me. What he was doing
9 and who had requested, and what he provided, I have no ques-
10 tion that he reported that.

11 Q Did he mention meetings between himself and Noel
12 Koch? November and January, concerning Tow missiles?

13 A I remember him talking to Mr. Armitage or Mr.
14 Koch.

15 MR. SILBER: This is December '85 to January '86.

16 A But I don't recall the date.

17 Q Yes.

18 A I cannot confirm December, January, February,
19 March or April.

20 Q Did he discuss the substance of those conversation
21 with you?

22 A I am sure he did, yes.

23 Q Do the numbers 4,000 Tows and \$12 million help
24 you in any way?

25 A No, it doesn't ring a bell.

Q Sir, are you yourself familiar generally with the
price of Tow missiles?

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1 A No, I am not.

2 Q Okay.

3 A I would be wrong if I had to take a quiz right now
4 I am sure.

5 BY MR. SAXON:

6 Q Would you find reassurance in the fact that you
7 are not the only one in the Pentagon, sir?

8 A Well, one of the reasons why we seldom ask that
9 question of friends or allies, thinking of a procurement, is
10 because the prices change. I never give an answer unless it
11 comes from the guy that is going to sell them.

12 BY MR. SABA:

13 Q Do you have any recollection of information about
14 Mr. Ledeen being involved in the -- this is Mr. Michael
15 Ledeen, Ledeen, being involved in the pricing of Tows or
16 Hawks?

17 A No, I don't. I have trouble remembering Mr.
18 Ledeen. The name is familiar, but I can't put a face with
19 the name.

20 Q Would it help if I suggested that at some point
21 he was a consultant to Noel Koch, later a consultant at
22 the NSC, and the State Department?

23 A I have heard the name but I don't know him. I
24 can't recall his face.

25 Q Do you recall if a Mr. Ledeen ever made an inquiry

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1 of you as to Tow pricing?

2 A No, I don't hink he did.

3 Q Do you recall Mr. Rudd indicating that the Israeli
4 purchasing office in New York was involved in this Tow
5 pricing?

6 A I do not recall that.

7 Q Do you recall the name Abraham Ben Yussef?

8 A I know Mr. Yussef. I know him personally. We
9 deal a lot --

10 MR. SILBER: Is that --

11 THE WITNESS: In a business association, in regard
12 to security assistance, but I don't remember his name coming
13 up in the context of Tows.

14 BY MR. SABA:

15 Q I see. Do you recall having any information or
16 knowledge of a meeting between Mr. Ben Yussef and Mr. Koch?

17 A No.

18 Q In December or January in the period we are
19 concerned with concerning Tows?

20 A No.

21 Q If Mr. Ben Yussef wanted to know the price of Tow
22 missiles, how would he have found out? What would be the
23 normal procedure?

24 A Well, assuming that they had not procured any,
25 you know in recent history, and had an idea of themselves,

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1 the only way that he could really go about that would be to
2 go to the U.S. Army.

3 Q Did he do that directly?

4 A Well, they normally would not provide it unless
5 they had an authority to provide it. They would normally
6 come through us, if one is talking about prospective arms
7 transfer sales. The way this comes through is through us to
8 even decide whether we will respond to them from a policy
9 point of view. Many times we do not because we are not
10 authorized to sell it as a matter of policy.

11 Q If the Israelis wished to acquire a certain number
12 of a particular kind of Tow missile, who would be authorized
13 to negotiate -- if that is the correct word, correct me if
14 I am wrong -- or quote a price to them?

15 A The way that a system normally works -- I mean,
16 the system is that a country will, through our embassy there,
17 through our security assistance organization, to them, will
18 indicate that they have an interest in a sale, and they want
19 some data -- pricing, rough order of magnitude, whatever.

20 And we, in conjunction with the State Department,
21 decide whether we will even provide the data or not, whether
22 they are cleared to receive it, whether it has technology
23 problems, or many other reasons why we might not wish to
24 proceed to provide it.

25 Assuming we decide to, we will turn to the

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1 procuring Service that has it in their inventory and they
2 will provide the information.

3 Q In the case of Tows it would be the Army?

4 A Yes.

5 Q And correct me if I am wrong, you being DSAA,
6 would turn to the Army and ask the Army to quote the specific
7 price for a specification of a specific Tow missile?

8 A Yes.

9 Q And who would provide that price to the Israelis
10 then?

11 A It could very well be the Army if it was approved
12 in principal and there is not question that it might be
13 rejected somehow or another, we would just task the Army to
14 provide the information directly to them, and information to
15 ourselves and the State Department, and to keep them informed
16 that pricing information had been provided.

17 Q Would it have been the normal course of business
18 for Mr. Koch to have been involved in that pricing?

19 A Normal? No, no.

20 Q Would it have been the normal course of business
21 for Mr. Koch to have quoted or negotiated a price with the
22 Israelis for Tow missiles?

23 A We are setting aside the instance concern or the
24 case or the revelations?

25 Q I am asking the question in general.

A In general. No he would not normally be involved.

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1 Q Do you know of any circumstances in which --

2 A He might be aware of it, but he would not be
3 involved in it.

4 Q Do you know of any circumstances during the period
5 you have been in charge of DSAA in which Mr. Koch has been
6 authorized to quote or negotiate prices on weapons for Israel?

7 A No, I do not.

8 Q Turning to the matters which we are immediately
9 concerned, did you have any information that Mr. Koch was
10 authorized to negotiate a price for Tow missiles with Israel
11 in December '85, January '86?

12 A No. No.

13 Q If Mr. Koch were to have negotiated a price, to
14 whome would that pricing be provided in the United States
15 Government?

16 A I presume that your line of questioning or your
17 interest is if it is going to be sold on the 1513?

18 Q Yes.

19 A On the 1513?

20 Q Assume that.

21 A No one has authority to negotiate a price for that.
22 I mean, it costs so much and we recover the costs. There
23 are pricing boards that meet to determine the price of
24 something that is sold or about to become excess, because
25 the law says how you will charge. But if it is an item from

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1 procurement or replacement item, there is a cost and that is
2 it.

3 Q Second question. If the transfer is intended to
4 be an Economy Act transfer to another agency would Mr. Koch
5 be able to negotiate a price on that?

6 A I don't know about that system.

7 Q It is correct that that would not be a matter of
8 your knowledge or authority?

9 A No, it is not within my area of responsibility.

10 Q In the period I am concerned with -- November 19,
11 1985 through February 1986 -- in this case, do you recall
12 yourself receiving any inquiry from Colonel North concerning
13 Hawks and Tows?

14 A No, absolutely not.

15 Q From Admiral Poindexter?

16 A No.

17 Q From Mr. McFarlane?

18 A No.

19 Q From anyone at the staff of the NSC?

20 A No.

21 Q Do you recall any of your staff being -- Mr.
22 Gaffney, yourself, or Mr. Rudd, or anyone else with whom
23 you have dealings in the normal course?

24 A I do not recall.

25 Q Of reporting such inquiries?

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1 A No.

2 Q No.

3 A Specifically, did Mr. Rudd ever indicate that
4 this Tow pricing information might be provided to the NSC?

5 A I do not recall that.

6 Q Do you recall if he indicated it was being
7 developed at the request of someone from the NSC?

8 A No. I do not recall that.

9 MR. SABA: Do you have any other questions?

10 MR. SAXON: Yes. I want to go a little more in
11 particular into what Mr. Rudd may have conveyed to you from
12 his discussions with Mr. Koch.

13 THE WITNESS: Yes.

14 BY MR. SAXON:

15 Q Mr. Saba has already asked you one question -- did
16 you recall the numbers 4,000 Tows for \$12 million. You said
17 you did not.

18 Do you recall Mr. Rudd saying that the inquiry put
19 to him by Mr. Koch involved a price of \$3,000 per Tow?

20 A No, I cannot remember any specific numbers. I
21 think I recall seeing a piece of paper and I couldn't even
22 describe it, that had prices and numbers on it. It was a
23 typewritten piece of paper as I recall.

24 Q Do you recall Mr. Rudd telling you that he searched
25 the data and reported back to Mr. Koch that the cheapest

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1 we had ever sold a basic Tow missile was \$6800 and that was
2 to Israel some years ago. Any portion of that that you
3 recall?

4 A There is a faint memory of a range there but I
5 cannot recall specifically enough to answer your question.

6

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MR. SABA: Back on the record.

2

BY MR. SABA:

3

Q In regards to your conversation with Mr. Rudd on
 4 Tow missiles, what was your concern about the information
 5 being developed?

6

A Well, my concern was that it was being asked for
 7 out of channels. It was an un -- rather unroutine thing going
 8 on, and that the information was going to be used in some way
 9 that would violate the law and our relationship, and whatever
 10 under the Arms Export Control Act.

11

Q This was your state of mind?

12

A Yes.

13

Q At that time?

14

A Yes.

15

Q Did you express that to Mr. Rudd?

16

A Well, we both were concerned about it as I recall.
 17 He, Dr. Gaffney and I, were all very concerned as to what was
 18 going on.

19

Q Did you express that concern to anyone else apart
 20 from Dr. Gaffney?

21

A I think it was in a conversation -- this may be
 22 different from what I said earlier -- I believe I was in a
 23 conversation with Mr. Armitage once where this came up.

24

Q Do you recall when?

25

A No, I don't. I don't know. I don't remember
 whether it was a Hawk or whether it was a Tow, but I remember

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1 saying very clearly -- this may have been Mr. Rudd who had a
 2 conversation with Mr. Armitage -- but the position of Armitage
 3 comes to my recollection to where we wanted to make it
 4 between us or somehow or other had it been made abundantly
 5 clear that if a transfer was going to occur that it was not
 6 possible, legally possible, or policy-wise, to do it
 7 under the Arms Export Control Act.

8 I remember that impression being made very clearly.
 9 Whether I made it to Mr. Armitage or whether Mr. Rudd did -- I
 10 would be surprised if I made it to Mr. Armitage. I don't
 11 recall having a discussion about that with him. I just simply
 12 don't remember.

13 BY MR. SAXON:

14 Q Your distinct impression is that --

15 A It was made clear.

16 Q You or Mr. Rudd made that position clear to Mr.
 17 Armitage?

18 A That is right.

19 Q Let me go back to one or two final questions on
 20 anything Mr. Rudd may have told you about his discussion with
 21 Noel Koch. Do you recall him telling you that as he looked at
 22 the numbers of missiles requested -- 4,000 basic Tows and the
 23 pricing data he had -- that the total package would come
 24 not to some \$12 million that Koch mentioned, but more like \$25
 25 or \$30 million? Do recall those kinds of figures?

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1 A No, I do not.

2 Q Do you recall any discussion --

3 A But not that you mentioned it, I seem to recall that
4 there was some discussion as to what the price ought to be for
5 the things, and Mr. Rudd would be very thorough in that.

6 Q Do you recall any discussion in which Mr. Rudd
7 said he had informed Mr. Koch essentially that you want that
8 number of missiles, it is going to cost more than \$14 million,
9 \$14 million being the threshold for congressional notification?

10 A Yes. No, I don't remember that.

11 Q You don't recall that. You don't recall any
12 discussion which Mr. Rudd told Mr. Koch that if you want this
13 number of basic Tow missiles -- 4,000 -- if Congress is
14 notified the knowledgeable people on the Hill are going to
15 realize that Israel is no longer buying basic Tows?

16 A No.

17 Q They are buying Tows II or I-Tows and therefore,
18 this transaction would be transparent and the Congress would
19 immediately know that Israel will transfer them elsewhere?

20 A I don't recall that.

21 Q Finally, do you recall any discussion in which
22 Mr. Rudd may have relayed to you that he informed Mr. Koch
23 that if the United States Government wanted to transfer these
24 arms to Israel, or specifically for Iran, that the way to do
25 it would be to go black -- that is, to make it a covert

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1 transfer to the CIA and let the CIA --

2 A I remember talking with Glenn Rudd about that and
3 my saying so.

4 Q What do you recall about that, sir?

5 A I remember a conversation and I believe it was
6 between Mr. Rudd and I and it might have been even possible
7 with Mr. Armitage, I am not sure, but I remember being
8 satisfied that Mr. Armitage, if not Koch, understood clearly
9 that, in my view, that if anyone were going to transfer arms
10 or equipment of this nature, of this size, that it could not
11 be done through the Arms Export Control Act.

12 If someone wished to pursue it, it would have to
13 be through some other channel. I probably used the word black
14 in the sense that there are other laws and provisions that have
15 to do with equipment other than the Arms Control Act.

16 Q Do you recall yourself saying that to Mr. Armitage?

17 A I expect that I did. I can't recall precisely, but
18 I remember being satisfied that he understood our position that
19 this was not, should not be pursued under this law.

20 Q Just to make sure that our two committees under-
21 stand and I can sort of summarize, while you can't precisely
22 date these discussions and there were lots of particulars
23 you don't recall, it is very clear that if there had been an
24 opinion put forward by DSAA, institutionally or you as its
25 Director, that there was an opinion communicated either by you

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1 or by Mr. Rudd to Mr. Armitage, that these transfers could
2 not be made under the Arms Export Control Act, that if the
3 government wanted to do it, the way to do it was through
4 black channels, is that correct?

5 A That is correct.

6 I did not say that that was the way to do it, I
7 said it could not be done through this way, it could be
8 possibly done through the black channels because I don't know
9 those regulations or the procedures within them. I have a
10 general knowledge that through congressional oversight and
11 other programs there are items transferred to a country under
12 another provision of the law. But I did not know that law,
13 have not read it, I don't know how it works.

14 I know that there is a Presidential finding
15 involved and that is all I know.

16 Q Did you ever have occasion to ask Mr. Armitage
17 subsequently sort of a -- oh, by the way, did anything ever
18 happen on that? Did we ever ship them? Did it ever go
19 forward?

20 A No, I don't recall asking about that. I presumed
21 that it didn't, but I did not -- I don't recall asking about
22 that.

23 BY MR. SABA:

24 Q Do you recall having any information about a
25 Presidential finding in 1986?

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1 A No. No. Not until the revelations came about. I
2 have heard that testimony. I have read about it in the
3 newspapers.

4 Q Did you have any conversations with Secretary
5 Armitage since November 1, 1986 about these matters?

6 MR. SILBER: 1986 he says.

7 THE WITNESS: The only conversation was where it
8 was agreed that -- in fact we were all encouraged to search
9 the files to provide information, and I believe that I
10 mentioned to him that this paper here had surfaced, and that
11 we were provided with it and we would provide any information
12 we had. That is the only context I remember.

13 MR. SILBER: This paper is the exhibit --

14 MR. KREUZER: Exhibit 3.

15 MR. SAXON: You are referring to Exhibit 3 -- the
16 Gaffney point paper on Hawks?

17 THE WITNESS: Yes. I remember mentioning it, and
18 when the chaps brought it up, I said turn it over, and the
19 only thing we found in our files was this.

20 BY MR. SABA:

21 Q Did he discuss any other papers?

22 A No, he did not.

23 Q Did you have any other conversation with Secretary
24 Armitage in connection with either the interview you had
25 earlier with Mr. Saxon or on this deposition?

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1 A No. Nor with Mr. Rudd, nor Dr. Gaffney as a
2 matter of fact.

3 Q Those were my next two questions.
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BY MR. SABA:

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Q Turning to another topic, sir, in general I take it that military security assistance is generally provided for a variety of policy reasons. Could you tell us very briefly why the United States would provide to any particular

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1 country security assistance?

2 A It is all written into the law. This country has
3 -- I mean, the basis for making the decision is written into
4 law. It is very specific as to why one would sell. The
5 interpretation of that and application of it is another matter
6 for policy people to deal with.

7 Q Would you say it is generally to further the United
8 States interests, United States security interests?

9 A Two areas: One, the foreign policy interest.
10 It should be of direct interest to the United States. And
11 then for also a defense strategy, foreign policy, and defense.

12 Q Would it be accurate to state that in various
13 circumstances security assistance is often provided as an
14 overall trade-off, which is to say that there are expectations
15 that a nation might assist us in some related way in return
16 for security assistance?

17 A Well, I don't know what you are driving at. One
18 of the foreign policy goals throughout all administrations is
19 to have the close relationship with friends who think like we
20 do and security assistance has always been reviewed as a way
21 to prove our foreign policy, and our own defense strategy for
22 people to be able to defend themselves. so we don't have (of),
23 or join in a coalition if we have to fight, and we do that
24 largely by deterrence.

25 If your question is, is there a quid expected or

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1 some sort of quid pro quo --

2 Q Yes, that is the question.

3 A The quid is that people will -- I can't answer that
4 there is a quid expected. That would be something that I
5 don't think you can very well improve your foreign policy when
6 you ask for a quid, when you provide security assistance.
7 You expect that there will be a closing of relationships
8 throughout the years as a result of that, military to military
9 relationship, foreign policy relationship, and overall
10 enhanced position of the United States and what our interests
11 are. I do not have a -- a direct quid, I don't know.

12 Q I will get more specific. Focusing on Guatemala.

13 A Oh, okay.

14 Q The year is 1985. Do you recall the commencement
15 of military assistance programs to Guatemala?

16 A In '85?

17 Q Yes sir.

18 A No, I don't recall commencement in '85.

19 Q What do you recall?

20 A Was it in '85 or not?

21 MR. SILBER: It was a small item in the procurement.

22 THE WITNESS: I remember debating on the Hill that
23 we should get on with Guatemala and trying to convince some
24 of my colleagues, or members of the staff, and the Congressmen
25 that I felt that our policy towards Guatemala was not as

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1 effective as it might otherwise be, because they were taking
2 a position that they had to improve in performance, according
3 to what the Congress expected of them, before they received
4 any military assistance.

5 My position or argument was that we had an armed
6 forces who wanted to get on with the business of ruling and
7 governing and the way we could encourage them to do that was
8 to form military relationships. But I don't remember a
9 particular event in regard to that.

10 Q Do you recall any suggestions from anyone on the
11 NSC staff that we might be favorably disposed to military
12 assistance to Guatemala specifically, perhaps at a training
13 program?

14 A No, I don't recall that specifically. I know that
15 we worked with ISA, the American region in ISA, to try to
16 develop a program, try to convince Congress that we should
17 proceed, that we wanted to get into training and have a
18 military relationship. I remember but I don't recall just
19 when we requested the first sale.

20 Q Do you recall any coordination with Mr. McFarlane
21 on the issue of military assistance to Guatemala?

22 A No.

23 Q Do you recall any inquiries about military
24 assistance to Guatemala from Mr. McFarlane?

25 A No, I don't. I didn't say there wasn't, but I

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1 can't recall any.

2 Q From Colonel North?

3 A No, I don't think so, no.

4 Q Do you recall any discussion from whatever source?

5 A I met with Mr. North occasionally, or two when we
6 were working on a package, to try to get through Congress,
7 but it was on a counter-terrorism bill we wanted to get
8 through. By the way, we were not successful in getting it
9 through the Senate, because the House didn't buy on to it.

10 Q Did it have anything to do with --

11 A I know we wanted it for El Salvador, Honduras,
12 Costa Rica, Panama, and I believe Guatemala -- no, I remember
13 Congress rejected Guatemala early on, so it got pared down
14 to the four, but this was specifically a program in '84-85
15 time period when we were very concerned about the terrorism
16 that was creeping in down there.

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Q What is your current recollection of our aid program to Guatemala?

A Well, we worked hard to convince the Congress and to justify to them that we needed to begin to have this military relationship. We were very concerned about their medical capabilities, helicopters couldn't run, they were unsafe, poor transportation on the ground.

I think the final, as I understand, as I recall, the final agreement was we would provide assistance but it had to be in non-lethal aid. I think that is the case.

Q Did anyone ever suggest to you that one of the reasons -- not necessarily the prime reason -- we would be abiding assistance to Guatemala was for or in connection with their provision of assistance in connection with a resupply effort to the forces opposed to the Government of Nicaragua?

A None whatsoever.

Q I would like to move to Honduras for a moment, unless someone has a Guatemalan question.

Moving to Honduras, my question is really along the

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1 the same lines, but I am particularly interested in the
2 provision of F-5 aircraft.

3 For the record I would like to introduce a document
4 which will be Exhibit 4 and I will show it to you and give you
5 a bit of time to read it through.

6 (Exhibit No. 4 was marked for identification.)

7 I should state for the record that this document
8 was an attachment to a memorandum for John Poindexter written
9 by Oliver North on March 24, 1986, the subject of which was
10 a Presidential determination to authorize the furnishing of
11 immediate military assistance to Honduras.

12 The exhibit is a document generated from your
13 agency by Mr. Royer, Colonel and Chief of the Latin American
14 Division of Defense Security Assistance Agency. It is dated
15 24 March, 1986.

16 MR. SABA: I just want to note for the record that
17 the second page of the exhibit indicates a distribution to
18 the Director, DSAA, Lt. General Gast, ASD, ISA Mr. Armitage,
19 and DASD, ISA/IA, Mr. Sanchez.

20 I believe, sir, the memo speaks for itself, but
21 I would ask you if you are familiar with it, and do you
22 recall it?

23 THE WITNESS: Yes, I do.

24 BY MR. SABA:

25 Q And do you recall the meeting between President of

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1 Honduras and Assistant Secretary of State Abrams and the
2 circumstances preceding the writing of this memo?

3 A Very vaguely. But I do recall. I do recall when
4 he went down there, yes.

5 Q Directing --

6 A Was Colonel Royer with him on that trip? He may
7 have been but I am not sure about that.

8 Q All right.

9 Directing your attention to the bottom of the page
10 the bottom of the first page, the last paragraph on that page
11 reads

12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 Can you provide us some information about that
17 paragraph and the circumstances involved?

18 A Let me go back to the first paragraph and read
19 this.

20 There had been prior to this period a request from
21 the Hondurans for a replacement for them on the Super Mystere
22 We had been working that a long time. There was the issue
23 on their part and ours as to how long we could keep the Super
24 Mystere going and when we were going to have to finally
25 replace them.

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1 Prior to this action, this meeting, or this MFR
2 that he records here, there had been a long dialogue between
3 me and the Hondurans, the Air Force, and the chief of staff,
4 back and forth, as to what efforts we could go to to manage to
5 find the spare parts and to repair the Super Mysters to keep
6 them going. There was a parallel action working to try
7 to find a replacement aircraft, because to be sure there was
8 only a period that we could keep these airplanes going. It
9 was rather amazing that they were still flying at all in my
10 mind.

11 So that there had been discussions about a replace-
12 ment fighter airplane before this meeting with the Hondurans
13 where they continually requested -- I am sure it was before
14 this -- this is just a year ago, and we had been going
15 through discussions very much so with the State Department,
16 ourselves and the Air Force, in trying to find an airplane
17 that was affordable, that seemed plausible considering the
18 threat, and the balance within the region, to find an
19 airplane.

20 So at this stage, March, would not have been by any
21 means the first time we would have talked about this fighter.
22 This thing was an old case. We had worked on it very long.
23 To be sure subsequent to this date but not attached to this
24 date or this visit, in my view -- I have no recollection about
25 our continuing to work the problem, we finally came to the

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1 conclusion we could keep the Super Mysteres going two or three
2 more years but we had to find a replacement airplane, and the
3 DFIV seemed to be the only logical replacement for it.

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Q But you recall that it was certainly a factor
which the Hondurans raised --

A I don't recall that, no. No, I don't recall that
being a connection at all. I think we were concerned that --
we and the Administration were concerned that if we were
unable to meet a legitimate requirement that they would see
it as a terribly negative signal and so testified before
Congress.

Q Who testified before Congress?

A As we had to during the hearings in order to

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1 justify the sale.

2 Q We is yourself?

3 A We and several other people in the hearings that
4 had just been completed on the F-5E sales. There have been
5 hearings recently on this sale.

6 (Witness confers with his attorney)

7 MR. SABA: Back on the record.

8 BY MR. SABA:

9 A Clarification on the comment on the concern that
10 the Administration had and what was going on in Nicaragua --
11 I am speaking of the threat that was being developed,
12 supported by the Soviets and the Cubans in that regard, in
13 the general sense.

14 Q Did Secretary Abrams or anyone from his staff
15 communicate to you or anyone on your staff, to your knowledge,
16 any concern about the Honduran view or attitude towards the
17 contras during this period?

18 A No. Well, I don't recall that specifically as
19 being a motivating factor in anything that we were involved
20 in. Sure, there was concern about the contras throughout the
21 whole period. You know, one would read about it and hear
22 about it, and you know, the issue was before Congress and the
23 dialogue.

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Q But I take it we were resisting requests from the Nicaraguans at this time --

MR. SILBER: Not Nicaraguans.

MR. SABA: Sorry, from the Hondurans even at that time for F-5Es and at this time being March 24, 1986, there had been a Nicaraguan incursion into Honduras.

THE WITNESS: I don't recall. Somewhere about March or ahead of time, or after that, which I saw as unrelated to the contras, there was a final decision to support the F-5E, or to offer it anyway.

BY MR. SABA:

Q When would you date that, sir?

A I don't remember, I don't recall.

Q But focusing on --

A May I see my list a moment?

MR. SABA: For the record, the witness is looking at Exhibit 2, which is the calendar of travel.

THE WITNESS: No, just looking at this, I recall going to Honduras to, along with the Israelis, to make the presentation on the Kafir or the --

MR. SILBER: Last November was it not?

THE WITNESS: No, it was July, I think.

MR. SILBER: Was it?

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1 THE WITNESS: July of -- 7 to 11 July.

2 BY MR. SABA:

3 Q Of what year?

4 A Of '86.

5 Q Pardon?

6 A 1986.

7 Q That trip was in connection with --

8 A With the F-5. By way of background, though, we had

9 decided that we could make some airplanes available beginning

10 in '88 or '89 -- I have forgotten just when -- there was

11 another equation that came up where the Israelis showed an

12 interest and they and the Hondurans had had discussions about

13 them buying one of their fighter airplanes, and it was in

14 July that we went down to make the presentation on the U.S.

15 offer and the Israelies made a presentation on their offer.

16 Q I take it that even in March of '86 there seemed --
17 let's go off the record a moment.

18 (Discussion off the record.)

19 BY MR. SABA:

20 Q I take it that even in March of '86, even in view
21 of the Nicaraguan incursion into Honduras, that there was a
22 reluctance on our part to provide the F-5?

23 A The reluctance --

24 Q And I point specifically to this paragraph.

25 A The State Department had always wanted to provide

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1 the F-5 earlier than we thought we could do it. I mean, it was
 2 an issue within the Administration, and the only issue within
 3 the Administration was when and where could we find the sources
 4 of the airplane. That had been ongoing for at least six months
 5 or a year prior to this date, as I recall.

6 Q Would you say that the drive of the State Department
 7 was --

8 A The State Department felt that the Super Mysteres
 9 might or might not be supportable for long periods of time.
 10 They were very much aware that the Hondurans, knowing, that
 11 wanted to have a replacement airplane, and they were support-
 12 ing it on foreign policy and defense reasons in an earlier
 13 period when we were having difficulty coming up with deliver,
 14 it having major impacts on our program.

15 We finally worked it out. I went to the Air Force
 16 and we came up with work-arounds in order to have a lessening
 17 impact on other foreign training by providing these airplanes.

18 Q Did Secretary Abrams express to you at any time
 19 his desire that we move forward rapidly on the F-5?

20 A He and I had several meetings on it. I had at
 21 least one meeting probably in -- I don't know when it was.
 22 It would have been in March or April where my concern was,
 23 and I want to be sure that I -- it was sometime in spring we
 24 had a conversation and my concern was whether in fact the
 25 pricing that we would have to charge on these, if we went

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1 down and briefed them on this, as to whether they could find
2 it affordable or not and we had to charge so much money for
3 12 airplanes -- \$70 million -- and support and training, and
4 my concern was as to whether they could accept this and I
5 wanted to get his advice, diplomatically, and other State
6 Department members were in the meeting on how to do this
7 presentation. That was probably in February or March.

8 Then the Israelis made the offer and that slowed
9 the whole process down.

10 Q Okay.

11 A It wasn't until July we went down to make the
12 presentation.

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22 I think we were all

23 concerned that the Hondurans were becoming quite nervous in
24 their position down there, you know, given the buildup in
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1 Nicaragua, and the things happening in Congress -- up and
2 down votes -- and there was no doubt about it in our minds that
3 the Hondurans really wanted to have some sort of a
4 reaffirmation that we were with them and that played an
5 important role. When somebody says you need an airplane and
6 you agree, but you refuse to sell it, he is going to take it
7 as a pretty negative signal.

8 Q Did you yourself have any discussions with the
9 Hondurans that touched on the contras?

10 A Never.

11 Q Sorry?

12 A Never, no.

13 Q I do have just a couple other questions, but not
14 related to Honduras.

15 MR. SAXON: I have one or two broader security
16 assistance questions along the lines of the quid for --

17 THE WITNESS: Could I take a short break and
18 stretch a little?

19 MR. SABA: Off the record.

20 (Off the record discussion)

21 MR. SABA: Back on the record.

22 John has some questions.

23 BY MR. SAXON:

24 Q General, I just want to take the questions that
25 Mr. Abrams has put to you about Honduras and broaden them

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1 and ask you in more generic terms. I think I know your
2 answer, I believe you answered it, but just for the record,
3 are you aware of any instances in which, since you have been
4 Director of DSAA, that the United States has expressly sought
5 to link or make contingent our security assistance to another
6 country to link that to or provide it as a reward for that
7 country's aiding the contras, particularly during the period
8 covered by the Boland Amendment, particular Boland II, when
9 all U.S. Government funds for the contras were cut off?

10 A No.

11 Q Are you aware of any effort by an recipient
12 country or a would be recipient country of security assistance
13 to use their support of the contras, particularly when we
14 could not aid the contras ourselves, as leverage to extract
15 from us security assistance?

16 A No.

17 Q And I use "expressly" or "directly" because we do
18 understand that we don't just give assistance devoid of the
19 whole context, so it may be that in the big picture things
20 can be related.

21 A Sure, but no, none whatsoever.

22 Q Let me than go to one specific beyond this, and
23 ask you whether you ever gave any guidance to American men
24 in uniform in Central America who most likely would have been
25 part of the military groups -- they could have been from the

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1 Defense Attache, they could have been in the Embassy -- in
2 Central America, to tell them along these lines not to do
3 anything with the contras in terms of the administration of
4 our security assistance programs?

5 A May -- yes, but my concern was not that I had any
6 reason to believe that anything was going on, but simply
7 because there had been interest expressed by Congress in
8 normal testimony, routine testimony -- I will put it that way
9 -- in defense of the President's request or to justify it, of
10 questions as to whether any of the aid provided under the
11 two Acts could be or were being used to support the contras
12 or anyone else.

13 And the response to that, and as a matter of
14 casual conversation whenever I saw people, to apprise them
15 of congressional concerns and mine, too, in that we not even
16 have the appearance that something like that was going on.

17 Q Particularly in terms [REDACTED]?

18 A Yes.

19 Q When Mr. Kruezer and I interviewed you on May 7 I
20 recall talking to our military group commander and saying
21 I want to be sure that none of what we are providing in [REDACTED]
22 [REDACTED] makes it across the border. Is that moreorless a
23 correct statement?

24 A Yes, that is reasonably accurate. That is the
25 intent of my statement in any event.

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1 Q Do you recall making that statement to Jim Steele?

2 A Among others, yes.

3 Q To your knowledge, did Colonel Steele in any way
4 violate that guidance?

5 A No, not to my knowledge.

6 Q Or abuse it?

7 A In fact, he assured me that the best he understood
8 it was not being done. It was not an idle question or
9 comment.

10 Q I believe I have no further questions.

11 MR. SABA: I have just one left.

12 BY MR. SABA:

13 Q General, in your various discussions with Glenn
14 Rudd, Mr. Gaffney, Secretary Armitage concerning Tows, Hawks,
15 do you recall any one of those men ever mentioning to you the
16 fact that these matters have been brought to the attention
17 of the Secretary?

18 A No.

19 Q Or that the facts that were being gathered would
20 be provided to the Secretary?

21 A No. I did not ask. I must say though, that I
22 think I was aware or subsequently at least, aware that
23 General Powell had received information. I presume that he
24 was not acting as a free agent. But no.

25 Q Did anyone inform you that Mr. Koch had met with

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1 with the Secretary on these matters?

2 A No, no, I was not.

3 Q In 1986, after January 18 were there any inquiries
4 made by any of these gentlemen or anyone else concerning
5 transfers?

6 A I don't remember the precise date of January 18,
7 so I can't respond to the preciseness of a particular date.
8 I do recall that I can say that after the two periods, both
9 the Hawk and the Tow that once the information had been
10 provided and we made the statement that it could not be done,
11 whatever was being contemplated under the AECA, that that
12 subject never came up again.

13 I don't recall discussing it with anyone. I don't
14 recall any following up or nothing of that nature.

15 MR. SABA: Thank you.

16 THE WITNESS: I presumed nothing had happened,
17 because it didn't go through our system.

18 BY MR. SAXON:

19 Q I do have one follow-up.

20 In the time frame we have been looking at of
21 November '85 to mid-January '86, do you recall Mr. Armitage,
22 Noel Koch, Dr. Gaffney, Mr. Rudd, anyone else for that matter,
23 ever telling you that Secretary Weingerger shared your concern
24 about the fact that these transfers could not be legally made
25 under the Arms Export Control Act?

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1 A No, I don't. I think I have heard that, but that
2 is all been subsequent to the revelations, but that is all
3 been subsequent to the revelations, but I can't remember
4 himself saying that. I expect that he agreed. He is a
5 pretty wise man. But I do not know of it.

6 MR. SAXON: That is all.

7 MR. SABA: I have nothing further, sir.

8 MR. KREUZER: Sir, I am working in Tel Aviv. I
9 want to buy some weapons. I can write a letter to DSAA?
10 That would get me into the system?

11 THE WITNESS: Normally the way it is done, there are
12 two ways that sales are made when it is commercially, direct
13 commercial, and the other is through the normal military
14 sales system. If it is to go through -- it normally comes
15 out of their New York procurement office -- Mr. Ben Yusef's
16 office. He happens to be head of the procurement agency
17 up there.

18 MR. KRUEZER: He would go to whom?

19 THE WITNESS: To us.

20 BY MR. KRUEZER:

21 Q Could Mr. Ben Yusef or General Mosah Morone,
22 could he go to the Army Materiel Command?

23 A Well, according to the rules, he could not.

24 Q Would there be anybody at the Army Materiel
25 Command with whom he could speak to do preliminary checking

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1

on pricing, purchasing of weapons?

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A They would not be authorized to provide any data, you know, that would indicate that we were willing to sell.

4

They just do not have that policy authority at all to do that.

5

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11

I am not saying that someone couldn't go to the Army Materiel Command and others and say look, we are considering buying what about the price, and in an informal conversation someone might say this is what it is, because prices are generally known, even if you are not an authority on prices.

12

Q So if it were informal, it would be okay?

13

A No, it isn't okay.

14

Q Maybe it happens?

15

16

17

18

19

A I don't think it happens, but I can assure you that no formal information, nothing by record, is authorized to be given to anyone on pricing data without approval by the State Department and our office. I can assure you of that.

20

MR. KREUZER: Thank you.

21

MR. GENZMAN: My questions have been asked. I have nothing. Thank you.

22

23

MR. SABA: We made it by noon.

24

THE WITNESS: Very good.

25

MR. SAXON: Let me say for the record, on behalf

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1 of the Senate, at least, we appreciate your being with us
2 today.

3 THE WITNESS: I hope I have been helpful to you.

4 MR. SAXON: You have been helpful and very candid
5 and we thank you for giving us this much of your time.

6 MR. SABA: And the House Committee similarly
7 appreciates your efforts.

8 (Whereupon, at 11:59 a.m., the deposition of
9 General Gast was adjourned.)

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N.O. Date

UNITED STATES DEPARTMENT OF DEFENSE OFFER AND ACCEPTANCE				(1) PURCHASER (Name and Address) (2a Code)			
(2) PURCHASER'S REFERENCE		(3) CASE IDENTIFIER					
OFFER							
Pursuant to the Arms Export Control Act, the Government of the United States (USG) hereby offers to sell to the above purchaser the defense articles and defense services listed below. Buyer/offer referred to collectively as "person" and individually as "defense articles" or "defense services", subject to the terms contained herein and conditions set forth in Annex A, and further other special terms and conditions which may be a part of, and appended to, the Offer and Acceptance.							
(4) Signature (US Dept./Agency Authorized Representative)				(5) Signature (Official of the Contractor, DCAA) (Date)			
(6) Typed Name and Title				(10) Typed Name and Title			
(8) ADDRESS				(11) DCAA ACCOUNTING ACTIVITY			
(7) DATE							
(9) THIS OFFER EXPIRES:							
NOTE: This offer must be accepted not later than the date shown to block 9. Within five (5) days of its acceptance, you must notify the Offer of the Contractor, DCAA. Otherwise, this Offer is considered and revocation of initial contract by either party without instructions shall not be deemed a waiver of such revocation. A signed protest notification if this offer is rejected.							
(12a) QTY REQ NO (12b)	(12b) ITEM DESCRIPTION including block number of solicitation (12c)	(12d) QUANTITY (12e)	(12f) UNIT OF MEASURE (12g)	ESTIMATED (12h) UNIT COST (12i) TOTAL COST (12j)		AVAILABILITY AND REMARKS (12k) (12l)	OFFER OR LEASE CODE (12m) (12n)
(21) ESTIMATED COST				0			
(22) ESTIMATED PACKING, CRATING, AND HANDLING COST				0			
(23) ESTIMATED GENERAL ADMINISTRATIVE COSTS				0			
(24) ESTIMATED CHARGES FOR SUPPLY SUPPORT ARRANGEMENT				0			
(25) OTHER ESTIMATED COSTS				0			
(26) ESTIMATED TOTAL COSTS				0			
(27) TERMS				(28) AMOUNT OF INITIAL DEPOSIT - 0			
ACCEPTANCE							
(29) I am a duly authorized representative of the Government of _____ and upon behalf of _____				(30) MARK FOR CODE			
(31) said Government, accept this offer under the terms and conditions contained herein (30) this _____ day of _____ 19 _____				(31) PRESENT FORWARDER CODE			
(32) SIGNATURE				(32) PROCURING AGENCY			
(32) TYPED NAME AND TITLE				(33) DESIGNATED PAYING OFFICE			
				(34) ADDRESS OF DESIGNATED PAYING OFFICE			

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DEPOSITION
EXHIBIT
PLG #1
6-18-87

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PREVIOUS EDITIONS MAY BE USED

PAGE 1 of 1

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GENERAL CONDITIONS

Annex A

A. THE GOVERNMENT OF THE UNITED STATES:

1. Agree to furnish such items from its Department of Defense (hereinafter referred to as "DOD") stocks and resources, or to procure them under terms and conditions consistent with DOD regulations and procedures. When procuring for the Purchaser, the DOD shall, in general, employ the same contract clauses, the same contract administration, and the same inspection procedures as would be used in procuring for itself, except as otherwise required by the Purchaser and as agreed to by the DOD. Unless the Purchaser has requested that a sole source contractor be designated, and that Letter of Offer and Acceptance reflects acceptance of such designation by the DOD, the Purchaser understands that selection of the contractor solely to fill this requirement is solely the responsibility of the Government of the United States (hereinafter referred to as "USG"). Further, the Purchaser agrees that the United States DoD is solely responsible for negotiating the terms and conditions of all contracts necessary to fulfill the requirements in the Letter of Offer.
2. Admits that when the DOD procures for itself, its contracts include warranty clauses only on an exceptional basis. However, the USG shall, with respect to items being procured, and upon timely notice, attempt to the extent possible to obtain any particular or special contract provisions and warranties desired by the Purchaser. The USG further agrees to exercise, upon the Purchaser's request, any rights (including those arising under any warranties) the USG may have under any contract connected with the procurement of any items. Any additional cost resulting from obtaining special contract provisions or warranties, or the exercise of rights under such provisions or warranties, or any other rights that the USG may have under any contract connected with the procurement of items, shall be charged to the Purchaser.
- 3a. Shall, unless the condition is otherwise specified herein (e.g., "As is"), repair or replace at no extra cost defense articles supplied (from DOD stocks which are damaged or found to be defective in respect of material or workmanship, when it is established that these deficiencies existed prior to receipt of take, or found to be defective in design to such a degree that the items cannot be used at all for the purpose for which they were designed. Qualified representatives of the USG and of the Purchaser, upon notification pursuant to paragraph B.1 below, shall agree on the liability of the USG hereunder and the corrective steps to be taken.
- b. With respect to items being procured for sale to the Purchaser, the USG agrees to exercise warranties on behalf of the Purchaser pursuant to A.2, above to ensure, to the extent provided by the warranty, replacement or correction of such items found to be defective.
- c. In addition, the USG warrants the title of all items sold to the Purchaser hereunder. The USG, however, makes no warranties other than those specifically set forth herein. In particular, the USG disclaims any liability resulting from patent infringement occasioned by the use or manufacture by or for the Purchaser outside the United States of items supplied hereunder.
4. Agree to deliver and pass title to the items to the Purchaser at the initial point of shipment unless otherwise specified in this Offer and Acceptance. With respect to defense articles procured for sale to the Purchaser, the will normally be at the manufacturer's loading facilities and with respect to defense articles furnished from stocks, this will normally be at the U.S. depot. Articles will be packed, crated or otherwise prepared for shipment prior to the delivery of the items. If "Point of Delivery" is specified otherwise than the initial point of shipment, the supplying Nation's Department of Defense Agency will arrange movement of the items to the authorized delivery point on reimbursable service but will not use as the initial point of shipment. The USG disclaims any liability for damage or loss to the items incurred after passage of title irrespective of whether transportation is by common carrier or by the U.S. Defense Transportation System.
5. Advises that:
 - a. Unless otherwise specified, USG standard items will be furnished without regard to make or model.
 - b. The price of items to be procured shall be at their total cost to the USG. Unless otherwise specified, the cost estimates of items to be procured, availability, determination, payment schedule, and delivery projections quoted are estimates based on current available data. The USG will use its best efforts to advise the Purchaser on its authorized representatives by DD Form 1513-2.
 - (1) of any identifiable cost increase that might result in an increase in the "Estimated Total Costs" in excess of 10 percent;
 - (2) of any changes in the payment schedule(s); and
 - (3) of any delays which might significantly affect the estimated delivery date(s).
 but its failure to so advise of the above shall not affect the Purchaser's obligation under paragraphs B.1 and B.3 below.
- c. The USG will, however, use its best efforts to deliver items or render services for the amount and at the times quoted.
6. Under unusual and compelling circumstances when the national interest of the United States so requires, the USG reserves the right to cancel or suspend all or part of this Offer and Acceptance at any time prior to the delivery of defense articles or performance of services (including training). The USG shall be responsible for all termination costs in its supplies otherwise than the termination in suspension under this paragraph.
7. Shall refund to the Purchaser any payments received hereunder which prove to be in excess of the final total cost of delivery and performance of this Offer and Acceptance, and are not required to cover arrangements on other open Offers and Acceptances of the Purchaser.
8. Advises that personnel performing defense services provided under this Offer and Acceptance will not perform any duties of a combatant nature, including any duties relating to training, advising, or otherwise providing assistance regarding combat activities outside the United States in connection with the performance of these defense services.
9. Advises that in the assignment or employment of United States personnel for the performance of this Offer and Acceptance the USG will not take into account race, religion, national origin or sex.
10. Advises that, notwithstanding Purchaser's agreement to pay interest on any net amount by which Purchaser may be in arrears on payments (as provided for in paragraph B.3, below), USG funds will not be used for disbursements by DOD to its contractors in the event of any such arrears in payments. Accordingly, failure by the Purchaser to make timely payments in the amounts due may result in delays in contract performance by DOD contractors, claims by contractors for increased costs (including the above mentioned interest costs), claims by contractors for termination liability for breach of contract or termination of contracts by the USG under this or other open Offers and Acceptances of the Purchaser at Purchaser's expense.

B. THE PURCHASER:

1. Shall pay to the USG the total cost to the USG of the items, even if the final total cost exceeds the amount estimated in this Offer and Acceptance.
2. Shall make payment(s) for the items by check(s) or by wire transfer payable in United States dollars to the Treasurer of the United States.
- 3a. Shall, if "Terms" specify "cash with acceptance", forward with this Offer and Acceptance a check or wire transfer in the full amount shown in the estimated total cost, and agree to make such additional payment(s) as may be specified upon notification of cost increases (and requests) for funds to cover such increases.
- b. Agrees if "Terms" specifies payment to be "cash prior to delivery" to pay to the USG such amounts at such times as may be specified from time to time by the USG (including any initial deposit set forth under "Terms") in order to meet payment requirements for articles or services to be furnished from the resources of the US Department of Defense. USG requests for funds may be based on estimated requirements to cover forecasted deliveries of articles or costs to provide defense services. It is USG policy to obtain funds 90 days in advance of the time DOD plans such deliveries or incurs such expenses on behalf of the Purchaser.
- c. Agrees, if "Terms" specify payment by "debttable undertaking" to pay to the USG such amounts at such times as may be specified from time to time by the USG (including any initial deposit set forth under "Terms") in order to meet payment requirements by contracts under which items are being procured, and any damages and costs that may accrue, or have accrued, from termination of contracts by the USG because of Purchaser's non-compliance with this Offer and Acceptance under paragraph B.7, hereof. USG requests for funds may be based upon estimated requirements for advance and progress payments to suppliers, estimated termination liability, delivery forecasts or evidence of constructive delivery, as the case may be. It is USG policy to obtain such funds 90 days in advance of the time USG makes payments on behalf of the Purchaser.
- d. Agrees, if "Terms" specify "payment on delivery" that bills may be dated as of the date(s) of delivery of the defense articles or rendering of the defense services, or upon forecasts of the date(s) thereof.
- e. Agrees, if "Terms" specify payment under a Credit Agreement between the Purchaser and DOD, to pay to the USG on a "debttable undertaking" basis, in accordance with B.3.c. above, such costs as may be in excess of the amount funded by the Credit Agreement.
- f. Agrees, that requests for funds or billings under paragraphs B.3.a. through e. above are due and payable in full on presentation, or, if a payment date is specified in the request for funds or bill, on the payment date so specified, even if such payment date is not in accord with the estimated payment schedule, if any, contained in this Offer and Acceptance. Without affecting Purchaser's obligation to make such payment(s) when due, documentation concerning advance and progress payments, estimated termination liability, or evidence of constructive delivery or shipment in support of request for funds or bills will be made available to the Purchaser by DOD upon request. When appropriate, Purchaser will request adjustment of any questioned billed items by subsequent submission of required documents, reports in accordance with paragraph B.6, below.
- g. Agrees to pay interest on any net amount by which it is in arrears on payments, determined by considering collectively all of the Purchaser's open Offers and Acceptances with the DOD. Interest shall be calculated on a daily basis. The principal amount of the arrearage shall be computed as the excess of cumulative financial requirements of the Purchaser over total cumulative payments received by the Purchaser on payment due dates. The rate of interest paid shall be a rate not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding Treasury obligations of the same maturity as of the last day of the month preceding the net arrearage and shall be computed from the date of net arrearage to the date of payment.

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PAGE 2 of 2 PAGES

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- Annex A
3. Shall designate the Procuring Agency and responsible Paying Office and address thereof to which the USC shall submit request for funds and bills under the Offer and Acceptance.
 4. Shall furnish shipping instructions for the items with its acceptance of the Offer and Acceptance. Such instructions shall include (a) Offer/Release Code, (b) Prepaid Forwarder Code, and (c) the Mark for Code, as applicable.
 5. Shall be responsible for obtaining the appropriate insurance coverage and customs clearance, and, except for items exported by the USC, appropriate export licensing.
 6. Shall accept title to the defense articles at the initial point of shipment (see A.4, above). Purchaser shall be responsible for inland transport and settlement of claims against common carriers. Title to defense articles transported by parcel post shall pass to the Purchaser on date of parcel post shipment. Standard Form 348 shall be used in submitting claims to the USC for overage, shortage, damage, duplicate billing, item deficiency, improper identification or improper documentation and shall be submitted by Purchaser promptly. Claims of \$100.00 or less will not be reported for overage, shortage, or damage. Claims received after one year from date of passage of title or billing, whichever is later, will be disallowed by the USC, unless the USC determines that unusual and compelling circumstances involving latent defects justify consideration of the claim.
 7. May accept this Offer and Acceptance with respect to any or all of the items listed in this Offer and Acceptance at any time prior to the delivery of defense articles or performance of services (excluding training). It shall be responsible for all costs resulting from cancellation under this paragraph.
 8. Shall, except as may otherwise be mutually agreed in writing, use the items sold hereunder only:
 - a. For the purposes specified in the Mutual Defense Assistance Agreement, if any, between the USC and the Purchaser.
 - b. For the purposes specified in any bilateral or regional defense treaty to which the USC and the Purchaser are both parties, if subparagraph a. of this paragraph is inapplicable; or
 - c. For internal security, individual self-defense, and/or civil action, if subparagraphs a. and b. of this paragraph are inapplicable.
 9. Shall not transfer title to, or possession of, the defense articles, components and associated support material, related training or other defense services (including any plans, specifications or information) furnished under this Offer and Acceptance to anyone not an officer, employee or agent of the Purchaser (including noncommercial agencies). Shall not use for purposes other than those authorized by U.S. laws, unless the written consent of the USC has first been obtained. To the extent that 1947 items, plans, specifications, or information furnished in connection with this Offer and Acceptance may be classified by the USC for security purposes, the Purchaser shall maintain a similar classification and implement all measures necessary to preserve such security, equivalent to those employed by the USC, throughout the period during which the USC may maintain such classification. The USC will use its best efforts to notify the Purchaser if the classification is changed. The Purchaser will ensure, by all means available to it, respect for proprietary rights in any defense article and any plans, specifications, or information furnished, whether patented or not.
- C. IDENTIFICATION AND ASSUMPTION OF RISKS:**
1. It is understood by the Purchaser that the USC is procuring and furnishing the items specified in this Offer and Acceptance does so on a non-profit basis for the benefit of the Purchaser. The Purchaser therefore undertakes, subject to A.3. above, to indemnify and hold the USC, its agents, officers, and contractors harmless from any and all loss or liability (whether in tort or in contract) which might arise in connection with this Offer and Acceptance because of: (1) injury to or death of personnel of Purchaser or third parties; (2) damage to or destruction of (A) property of the DOD furnished to Purchaser or damages specifically to implement this Offer and Acceptance; (B) property of Purchaser (including the items ordered by Purchaser pursuant to the Offer and Acceptance, but not other property of title to Purchaser); or (C) property of third parties; or (3) patent infringement.
 2. Subject to any express, special contractual warranties obtained for the Purchaser in accordance with A.2. above, the Purchaser agrees to indemnify and hold the USC harmless from and will assume the risk of loss or damage to: (a) Purchaser's property (including the items procured pursuant to the Offer and Acceptance, before or after passage of title to Purchaser) and (b) property of the USOF furnished to implement specifically to implement the Offer and Acceptance, to the same extent that USC would assume for its property if a were procuring for itself the items or items procured pursuant to the Offer and Acceptance.
- D. ACCEPTANCE:**
1. To accept this Offer and Acceptance, the Purchaser will not later than the expiration date of the Offer and Acceptance, as set forth herein, return three copies properly signed to the security assistance receiving center designated herein, accompanied by such initial deposit or other payment as may be required by the Terms herein. In addition, Purchaser will concurrently return three copies properly signed to the U.S. Military Department or Defense Agency making the offer. When properly accepted and returned as specified herein, the provisions of this Offer and Acceptance shall be binding upon the USC and the Purchaser.
 2. It is understood that implementation of the Offer and Acceptance cannot proceed without a proper acceptance. Failure to comply with Terms and Conditions required for acceptance, as for example, delay in submission of any required initial deposit or payment of full retained cost, as the case may be, may require revision or release of the Offer and Acceptance.
 3. Unless a written request for extension is made by the Purchaser and granted in writing by an authorized representative of the appropriate U.S. Military Department or Defense Agency, this Offer and Acceptance shall terminate on the expiration date set forth herein.
- E. SCHEDULES:**
- Endowments attached hereto are, by this reference, incorporated herein and are made a part hereof as though set forth in full.
- F. PUBLIC INSPECTION:**
- This Offer and Acceptance will be made available for public inspection to the fullest extent possible consistent with the national security of the United States.

EXPLANATORY NOTES

1. The item or reference number appearing to the "ITEM OR REF. NO." column may not correspond with references used in Purchaser's related request. However, this number together with the use identifier shown should always be used as a reference in future correspondence.
 2. Availability limitations concern the estimated number of months required to complete delivery of the item(s) in accordance with the terms of delivery after receipt of acceptance of the Offer pursuant to Section D. of the Conditions; and the completion of appropriate financial arrangements. Planned deliveries are shown by quantity and location for each item/series, where applicable. Items for which delivery limitations are not shown are listed in columns headed "Open Description" as items to be included in the applicable and item prior to shipment.
 3. The planned source of supply for each item is expressed in the following codes:

S	(*) Service Stocks
P	(*) Procurement
R	(*) Rebuild/Repair/Modification
X	(*) Stock and procurement, e.g., initial repair parts
E	(*) "Miscellaneous" major items in long supply or excess
- *Availability is stated in months.
4. Condition of the defense articles shown in the "AVAILABILITY AND REMARKS" column is expressed in the following codes:

A1	- Items to be provided in existing condition without repair, restoration or rehabilitation which may be required. Condition indicated in item description.
M	- Articles of mixed condition (new, reported, and rehabilitated) may be commingled when stated. Example: repair parts, armaments, etc., are assemblies, but, and mix and shop mix.
B	- Serviceable defense articles.
O	- Obsolete or non-standard items in an "AS IS" condition for which repair parts support may not be available from USOF.
S	- Substandard. Suitable substitutions may be obtained for unsatisfactory defense articles unless otherwise advised by the Purchaser.
U	- Returned or rehabilitated defense articles possessing original appearance insofar as practicable, including all Modification Work Orders and Engineering Change Orders as applied to such defense articles when issued but defense articles should not be considered as having had total replacement of wear parts and/or assemblies. Only parts and components not meeting US Armed Forces serviceability requirements and standards will have been replaced; in all instances such defense articles will meet US Armed Forces standards of serviceability.
 5. Training notes:

AP	- Annual Training Program.
SP	- Special Training designed to support purchases of US equipment.
NC	- The offer does not constitute a commitment to provide US training.
US	- US Training concurrently being obtained in separate Offer and Acceptance.
NR	- No US training is required in support of this purchase.
 6. For mapping of delivery codes, see Military Assistance Program Address Directory (MAPAD).
 7. The use of Offer/Release Code in this column is for use in reporting shipment delays in excess of 15 days.

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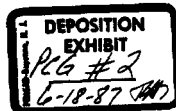
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Declassified/Released on 1/25/88
 under provision of E.O. 12356
 by B. Roper, National Security Council

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GENERAL GAST'S TRAVEL



TAB	TDY POINTS	DATES
1	Wright-Patterson AFB, OH (AFLC & DISAM)	14-15 Jan 85
2	Sal Salvador, El Sal	22-24 Jan 85
3	Homestead AFB, FL (CORONA SOUTH 85)	14-15 Feb 85
4	London, Eng, Cairo, EG, Amman, JO	26Mar-5Apr 85
5	Garmisch, Germany (+ leave in Italy), EUCOM S.A.Conf.	19Apr-4May
6	Tampa, FL (CENTCOM Sec. Asst. Conf)	13-16 May
7	Wright-Pat AFB, OH (ILC Dining In)	14-15 Jun
8	Rome, Italy & Rabat, Morocco/JMC	26Jun-4Jul
9	Tel-Aviv, Israel (JSAP)	14-19 Jul
10	Denver, CO & San Antonio, TX	13-15 Aug
11	Panama (SOUTHCOM SA Conf)	23-28 Sep
12	Dayton, OH (Chamber of Commerce Speech)	12 Nov 85
13	Germany, Bahrain, Pakistan(CG Meetings)	15-23 Nov 85
14	Hanscom AFB, MA (Boston)	6 Dec 85
15	Greece, Tunisia, Rome, Kenya, Somalia, Saudi, Yemen, Saudi, Jordan, Israel, Egypt	24Jan-17 Feb 86
16	Ankara Turkey (RLDG)	19-25 Feb
17	Hanscom AFB, MA (AFCEA luncheon speaker)	4 Mar
18	Islamabad, Pakistan	19-25 Mar
19	SecDef Trip: Korea (SCM); Japan; Philippines; Australia; Hawaii (Mrs. Gast went too)	31Mar-13Apr
20	Germany (EUCOM SA Conf); Spain; Portugal; France; UK	19 Apr-7 May
21	MacDill AFB (Tampa, Florida) CENTCOM SA Conf.	12-15May
22	Honduras & El Salvador	7-11 July
23	Tunisia & Algeria (JMCs)	1-8 Sep 86
24	Panama (SOUTHCOM SecAsst Conf)	14-17 Sep
25	Dayton, OH, Wright-Pat AFB (Pol & Africa Council Meeting/DISAM)	30Sep-10Oct

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DEFENSE SECURITY ASSISTANCE AGENCY

12 Dec 86

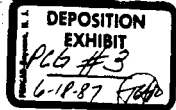
Memo For Record

The attached talking points were prepared by me, as Acting Director, DSAA, on or after 19 November 1985, at the request of Noel Koch and Gen. Colin Powell (then Mil. Asst. to SecDef). They were furnished to Mr. Koch to take to Gen. Powell.

John H. King
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12 Dec 86



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and all Administrations

-- It is conceivable that, upon satisfactory consultation with Chairmen Lugar and Fawell and their minority counterparts, they might agree to splitting the sale into smaller packages.

- The customer countries (UAE and Korea) would have to be told that their deliveries had been rescheduled, but we would not have to tell them why. We would not want to charge them more for later deliveries.

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How Missiles for Iran

- Missiles are available right now, suitable for foreign sale. There are 100 missiles at Red River Arsenal - 70 intended for UAE and 30 for Korea. Seven of these are intended for tests, but the tests can be foregone.
- The missiles at Red River Arsenal cost \$320,000 apiece. This is not necessarily a firm price, and replacements could cost as much as \$450,000 apiece.
- Thus, the total bill for 100 missiles would be \$36-\$2.5 million. To this, applicable charges would have to be added (ARC cost, administration charge, packing and transport charges, plus storage).
- The missiles for Korea and UAE would have to be replaced, so DSAA will need the money to replace them.
- The modalities for sale to Iran present formidable difficulties:
 - Iran is not currently certified for sales, including indirectly as a third country, per Sec. 3 of the AECIA.
 - Congress must be notified of all sales of \$14 million or more, whether it is a direct sale or indirect to a third country. The notice must be unclassified (except for some details), and the sale cannot take place until 30 days after the notice. The 30 days can be waived for direct sales, but the third country transfer has no such provision, and notice must still be given in any case.
 - Thus, even if the missiles were laundered through Israel, Congress would have to be notified.
- It is conceivable that the sale could be broken into 3 or 4 packages, in order to evade Congressional notice.
 - While there is no explicit injunction against splitting up such a sale (subject to check...), the spirit and the practice of the law is against that, and all Administrations have observed this scrupulously.
 - It is conceivable that, upon satisfactory consultation with Chairmen Lugar and Fawell and their minority counterparts, they might agree to splitting the sale into smaller packages.
- The customer countries (UAE and Korea) would have to be told that their deliveries had been rescheduled, but we would not have to tell them why. We would not want to charge them more for later deliveries.

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The political drawbacks are equally formidable:

- If Iraq ever found out, they would be greatly irritated. Their sources of supply are more readily accessible than Iran's, however, so there would be no effect in that respect.
- Saudi Arabia and the other Gulf States would also be irritated and alarmed.
- If Israel were used as the laundering country, they would be greatly encouraged to continue selling to Iran, and to expand their sales.
- If the sale became known, all bars would be removed from sales by such countries as Spain, Portugal, Greece, UK, Italy, and FRG, countries who are only barely restrained from overt, large sales to Iran now.
- In short, the risk is that of prolonging and intensifying the Iran-Iraq war, while seriously compromising US influence over Israel and other countries to restrain sales to Iran.

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✓ What worldwide stocks (in other countries)

DEFENSE SECURITY ASSISTANCE AGENCY

Memo For _____

• 500

• From where?

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ult.
destinations

✓ Cost?

✓ How do I legally transfer? What notice?
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detailed description sensitive technology.

✓ What countries can't I legally transfer to?

Reporting
Ref. (3d)

✓ What other countries might be sources?

How quick?

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1. Find bin
2. When available?
3. Notify Congress
4. Prepare LOA

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$$\begin{array}{r}
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 1200 \overline{) 3600} \\
 \underline{43} \\
 146 \text{ K each}
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~~164~~ (300K)

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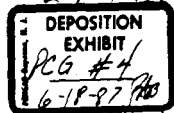
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DEFENSE SECURITY ASSISTANCE AGENCY

WASHINGTON DC 20301



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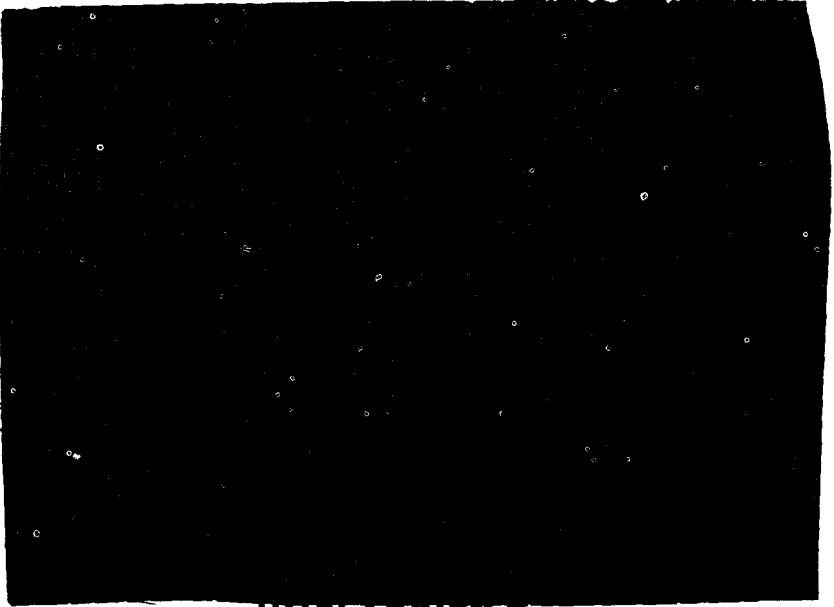
24 March 1986

MEMORANDUM FOR RECORD

SUBJECT: Offer of Additional FY86 Security Assistance to the Government of Honduras (S)

- (S) As a result of meetings between the President of Honduras and Assistant Secretary of State Abrams, the undersigned remained in Honduras for additional meetings with the Honduran Armed Forces. The reaction by senior Honduran officers to Assistant Secretary Abrams offer of immediate additional security assistance was very positive. The Honduran Commanders requested that I express their appreciation to Assistant Secretary Abrams for his offer of additional security assistance.

- (U) After meeting with all three of the military services I was able to develop a list of military requirements (attached) that the U.S. can satisfy if there are appropriate policy decisions concerning specific items, and a source of funding.



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- (S/NP) In summary, I believe the attached list contains items that will satisfy the Honduran Armed Forces if we make a commitment to allow them to purchase



RMH
M. Royer, Colonel USA
Ref, Latin America Division

CC: Director, DSAA, Lt Gen Gast
ASD, ISA, Mr. Armitage
DASD, ISA/IA, Mr. Sanchez

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Access only
ZDC 4/25/87*

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HSITS -181 /87

HEARINGS

Before the COPY NO. 1 OF 2 COPIES

SELECT COMMITTEE ON SECRET MILITARY ASSISTANCE
TO IRAN AND THE NICARAGUAN OPPOSITION

UNITED STATES SENATE

DEPOSITION OF ROBERT M. GATES

Friday, July 31, 1987

Partially Declassified/Released on 24 JAN 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

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4386

Washington

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DEPOSITION OF ROBERT M. GATES

Friday, July 31, 1987

United States Senate

Select Committee on Secret

Military Assistance to Iran

and the Nicaraguan Opposition

Washington, D. C.

Deposition of ROBERT M. GATES, called as a witness by counsel for the Select Committee, at the offices of the Select Committee, Room SH-901, Hart Senate Office Building, Washington, D. C., commencing at 1:42 p.m., the witness having been duly sworn by MICHAL ANN SCHAFER, a Notary Public in and for the District of Columbia, and the testimony being taken down by Stenomask by MICHAL ANN SCHAFER and transcribed under her direction.

Partially Declassified/Released on 24 Nov 88
under provisions of E.O. 12356
by K. Johnson, National Security Council

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1 **APPEARANCES:**

2 On behalf of the Senate Select Committee on Secret
3 Military Assistance to Iran and the Nicaraguan

4 **Opposition:**

5 THE HONORABLE DAVID BOREN

6 PAUL BARBADORO, ESQ.

7 TIMOTHY WOODCOCK, ESQ.

8 TOM POLGAR

9 On behalf of the Senate Select Committee on
10 Intelligence:

11 SVEN HOLMES, Staff Director

12 On behalf of the House Permanent Select Committee
13 on Intelligence:

14 DIANE DORNAN

15 On behalf of the Central Intelligence Agency:

16 KATHLEEN MCGINN, ESQ.

17 JOHN RIZZO, ESQ.

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1

C O N T E N T S

2

EXAMINATION ON BEHALF OF

3

WITNESS

SENATE

HOUSE

4

Robert M. Gates

5

By Mr. Barbadoro

4

6

By Mr. Woodcock

75

7

By Ms. Dornan

80

8

By Mr. Barbadoro

82

9

By Mr. Woodcock

85

10

E X H I B I T S

11

GATES EXHIBIT NUMBER

FOR IDENTIFICATION

12

1

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PROCEEDINGS

Whereupon,

ROBERT M. GATES,

called as a witness by counsel on behalf of the Senate Select Committee and having been duly sworn by the Notary Public, was examined and testified as follows:

EXAMINATION

BY MR. BARBADORO:

Q Mr. Gates, thank you for coming today. As a preliminary matter simply let me note that the Committee has received copies of your testimony on these matters before the Senate Intelligence Committee. We received your testimony before the Tower Board and your testimony at your confirmation hearing. On all three occasions you gave in-depth testimony about your knowledge of the Iran initiative, and it's not my intention to review events that you've already testified about.

Rather, I want to ask you primarily about things that we have discovered and issues that have arisen since the time of your testimony. The first area I'd like to go into with you is the statements that Colonel North made about Director Casey's knowledge and agreement with a proposed freestanding, off-the-shelf, privately-financed entity to conduct covert operations on behalf of the U.S. Government.

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1 Let me first ask you did you have an
2 opportunity to see that part of Colonel North's testimony
3 where he described that entity and described what
4 Director Casey's knowledge of that entity was?

5 A I've basically read newspaper accounts of it.
6 I did not see it.

7 Q Let me just read you a portion of Colonel
8 North's testimony so that we will all know what he was
9 talking about during his testimony. Mr. Liman asked him
10 these questions and Colonel North gave these answers,
11 beginning with Mr. Liman.

12 "Do you remember giving testimony about the
13 fact that Director Casey wanted something that he could
14 pull off the shelf and that that is why he was excited
15 about the fact that you were now able to generate some
16 surpluses that could be used?"

17 Mr. North: "That is correct."

18 Mr. Liman: "Why don't you give us a
19 description of what he said or, as you understood it,
20 what he meant by 'pulling something off the shelf'?"

21 Mr. North: "Director Casey had in mind, as I
22 understood it, an overseas entity that was capable of
23 conducting operations or activities of assistance to U.S.
24 foreign policy goals, that was stand-alone."

25 Mr. Liman: "Self-financed?"

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1 Mr. North: "That was self-financing,
2 independent of appropriated monies and capable of
3 conducting activities similar to the ones that we had
4 conducted here. There were other countries that were
5 suggested that might be beneficiaries of that kind of
6 support, other activities, to include counterterrorism."

7 Elsewhere in his testimony Colonel North
8 elaborated on this idea further, but that is a general
9 description of what he claims he was talking with
10 Director Casey about.

11 I want to just ask you did Director Casey ever
12 say anything to you about an entity such as the one that
13 Colonel North described?

14 A No. He never said anything that would have
15 even suggested that he was thinking about such a thing.
16 And I might add that such a notion would have been one
17 that if it had been pursued I would have considered it
18 necessary to resign rather than tolerate.

19 Q I want to get into that issue with you in just
20 a minute, but let me follow up on this a little bit more.
21 To your knowledge, was the creation of such an entity
22 ever discussed by anyone at the Agency?

23 A Not to my knowledge.

24 Q You have mentioned that for you these use of
25 that kind of an entity by the CIA would be a resignation

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1 issue. Could you explain what you mean by that and why
2 you feel that strongly about it?

3 A The idea of U.S. Government officials creating
4 an entity to carry out U.S. policy activities or policy-
5 related activities outside of normal Executive branch
6 procedures, outside of Congressional oversight, with non-
7 appropriated funds would seem to me to be an intolerable
8 and unnecessary activity.

9 Q Do you have questions about the legality of
10 such an entity?

11 A Well, I'm not a lawyer, but I certainly would
12 have questions about its legality. I don't have answers,
13 but I certainly would have questions.

14 Q And apart from the legality of such an
15 operation do you disagree with the prospect of using such
16 an entity for policy reasons?

17 A Yes, because I think it is fundamentally
18 unnecessary.

19 Q Colonel North also described in his testimony
20 the role that he, Colonel North, played in the resupply
21 operation that was conducted to resupply the contras
22 during 1986. Prior to November of 1986 did Director
23 Casey ever discuss with you what Colonel North's role was
24 in supporting that resupply operation?

25 A No, he did not.

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1 Q Did he ever say anything to you which led you
2 to believe that he knew about Colonel North's role in
3 supporting that operation?

4 A No. My impression from comments that Mr.
5 Casey made to me was that his level of knowledge was
6 along the lines that in fact have been suggested in the
7 press, and that is that there was encouragement of
8 private fundraising, advice to the contras, but nothing
9 suggesting an operational role.

10 Q So from your conversations with Director Casey
11 you gathered that he saw Colonel North's role as one of
12 encouraging private contributions and providing general
13 advice to the contras, but not as coordinating the
14 resupply operation in the way that he described it in his
15 testimony?

16 A That would be my impression, yes, that it was
17 not a tactical role at all.

18 Q Let's turn to the time period of October and
19 November of 1986, and I want to start with a meeting that
20 I believe you had with Charlie Allen on October 1. Do
21 you remember that meeting?

22 A Yes.

23 Q Do you remember who requested the meeting?

24 A Mr. Allen did.

25 Q And what was the purpose of the meeting?

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1 A He wanted to bring to my attention
2 intelligence information that he had received or been
3 looking at that led him to believe that the operational
4 security of the Iranian initiative was in jeopardy and,
5 finally, to express his concern over a development that
6 he or -- he wanted to inform me of his speculation,
7 looking at the intelligence, that there might have been a
8 diversion of money from the Iranian affair to Central
9 America.

10 He acknowledged that he didn't have any
11 evidence of such a diversion and no indication that there
12 was any involvement by a U.S. person or persons in the
13 activity or in what he was thinking about. It was just
14 that between the overcharging that he saw in the
15 intelligence materials and the cheating that he perceived
16 was going on and the fact that there were -- and I should
17 have said earlier U.S. Government persons -- and the fact
18 that some of the players in the Iranian affair were also
19 active in support of the contras, he was concerned that
20 some of that money might be going.

21 And, as I say, he acknowledged himself that it
22 was speculation and it really was, in the context of the
23 total briefing, a relatively minor part of it.

24 Q Let me get to that in a minute. First, let me
25 ask you what were his concerns about the operational

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1 security problems with the Iran initiative?

2 A Well, I don't remember precisely, but it had
3 to do with the change of channels from the first channel
4 to the second channel and the fact that Ghorbanifar and
5 others involved in the first channel were very unhappy
6 about the change and the concern that they might go
7 public.

8 Q Did Mr. Allen tell you in this meeting on
9 October 1 that private parties that had been involved in
10 financing the initiative were complaining about not
11 getting their money?

12 A I don't recall him saying that, no, not on the
13 first of October.

14 Q Do you recall whether there were any
15 discussions at this October 1 meeting about Mr.
16 Ghorbanifar's complaints that he had been overcharged for
17 the arms that were shipped to Iran?

18 A It's hard for me to separate what Allen said
19 on the first because I didn't take any notes and what he
20 wrote in his paper that he prepared a few days later, I
21 know that he spoke of Ghorbanifar's unhappiness. Whether
22 he spoke specifically about the overcharges, I don't
23 recall.

24 Q Is it fair to say that he described to you in
25 this meeting of October 1 essentially what he put in that

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1 paper that he prepared at your direction after the
2 October 1 meeting?

3 A There was one difference that I recall in the
4 -- the one difference that I recall specifically between
5 what he told me on the first and what he wrote in the
6 paper when he actually set down his view, on the first he
7 spoke specifically about the possibility of -- his
8 speculation of the possibility of a diversion to the
9 contras. But when he wrote his paper he backed away from
10 that and simply referred -- and again that was in the
11 context of if Ghorbanifar goes public, these are the
12 kinds of allegations that he might make, and he listed
13 several, and the last one of those was that some money
14 from the Iranian initiative was being -- I don't remember
15 the right word -- was being diverted to other projects of
16 the U.S. Government and of the Government of Israel.

17 So it was a less specific formulation.

18 Q So in the October 1 meeting he specifically
19 mentioned the possibility that Ghorbanifar would charge
20 that money from the arms sales had been diverted to the
21 contras, whereas in the paper he prepared after the
22 meeting he used a more general description and described
23 it as a possible diversion to certain unspecified U.S.
24 and Israeli projects; is that right?

25 A Well, again it's going back a long time, but

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1 my recollection is that he made more on the first of the
2 fact that some of the same people involved in the Iranian
3 affair were involved in the contra, the private
4 benefactor effort. And there was much less emphasis on
5 that in the memorandum that he prepared a couple of weeks
6 later.

7 Q At the October 1 meeting did he specifically
8 raise his concern that money from the arms sales might
9 have been diverted to the contras as opposed to simply
10 saying that money from the arms sale might have been
11 diverted to certain unspecified U.S. projects?

12 A Yes.

13 MR. BARBADORO: Let's go off the record for
14 just a second.

15 (A discussion was held off the record.)

16 MR. BARBADORO: We can go back on the record.

17 BY MR. BARBADORO: (Resuming)

18 Q As he described it to you on October 1, what
19 was the basis for Mr. Allen's suspicions?

20 A I think that, as I recall, it was -- I may be
21 putting words in his mouth, but I think it was basically
22 two things -- first of all, all of the suggestions [REDACTED]
23 [REDACTED] of cheating and overcharging.
24 Now frankly that by itself, I think, was not of
25 particular concern to people because these were Iranians

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13

1 and arms dealers, and I think as far as most of our
2 people are concerned that goes with the territory.

3 But the second thing -- and again this is
4 where I may be putting words in his mouth -- I think it
5 was the fact that General Secord was involved in the
6 Iranian business and also involved in the private
7 benefactor effort that just caused him to wonder about
8 the possibility. And that's why there was no -- as I
9 say, he didn't have any evidence and he acknowledged
10 that. He didn't have any indication of any U.S.
11 Government role or anything. I think it was just the
12 mere fact of Secord's presence in both of these
13 activities that, I think is just the best way to put it,
14 raised his concern.

15 Q As of October 1 did you know that Secord was
16 involved with the Iran initiative?

17 A I'm not entirely certain, but I don't think
18 so. It would have been kind of vague, having heard that
19 he was playing some kind of a role. But in terms of the
20 centrality of his role, I certainly am pretty sure I was
21 not aware of that at the time.

22 Q Did Mr. Allen explain what Secord's role was
23 in the Iran initiative at the October 1 meeting?

24 A I don't think so.

25 Q As of October 1, did you know what Mr.

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1 Secord's role was in supporting the contra initiative?

2 A No. I knew that he was one of the private
3 benefactors, but I really didn't know anything beyond
4 that, particularly in light of what has emerged
5 subsequently.

6 Q Did Mr. Allen explain to you at the October 1
7 meeting what Secord's role was in supporting the contra
8 initiative?

9 A No. I'm pretty sure he didn't.

10 Q As of October 1 was it your understanding that
11 the arms were being passed from U.S. Government stocks to
12 a private agent or entity and then to the Iranians?

13 A The specifics on how all of this was taking
14 place were not very clear to me at the time. In other
15 words, I knew the basic outlines of what was happening in
16 terms of the arms. I really can't recall what I knew at
17 the time about the role of the intermediaries. I must
18 have been aware that the materials were going, that the
19 weapons were going through or at least that the money was
20 going through intermediaries.

21 I think I was unclear about whether the
22 weapons themselves were being taken directly from our
23 ██████████ to the Iranians. I think I was not clear
24 on that point, but I knew that there were intermediaries
25 involved in the financing -- I mean in the accounts.

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1 Q Did Mr. Allen mention in this October 1
2 meeting how he thought the money was being generated
3 which could then be passed to the contras?

4 A No.

5 Q What else did he tell you about his suspicions
6 that money from the arms sales might be going to the
7 contras?

8 A What I've described is basically all that he
9 told me. And, as I say, it came at the very end of the
10 conversation, after having described his concerns about
11 the operational security, which was the focus of his
12 concern.

13 Q So his reference about the contras was really
14 one small part of a larger set of concerns that he had?

15 A That's correct.

16 Q What did you tell him to do about his
17 concerns?

18 A I told him that I thought it was important
19 that he brief the Director, and I urged him to do so as
20 quickly as possible.

21 Q And do you know whether he did subsequently
22 meet with Director Casey?

23 A Yes, he met with him on October 7.

24 Q That same day, October 7, Director Casey
25 received a call from Mr. Furmark. Did Director Casey

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1 ever tell you about that telephone call?

2 A As I recall, when Allen briefed Casey on the
3 operational security problems I think -- and again I'm
4 trying to sort out what I've heard subsequently and what
5 I heard then, and it's a little difficult -- but I think
6 that at that same session Casey relayed the information
7 about the unhappy Canadian investors that Furmark had
8 passed along to him.

9 Q Were you present at that meeting between Allen
10 and Casey on the 7th?

11 A Yes.

12 Q Did Allen describe basically the same concerns
13 at the meeting on the 7th that he had described at the
14 meeting on the first?

15 A Yes.

16 Q And in addition to that you recall Director
17 Casey mentioning his conversation with Furmark earlier
18 that day where Director Casey had learned about the angry
19 Canadians?

20 A I'm pretty sure that he at least talked about
21 the unhappy investors, the Canadian investors.

22 Q What was Director Casey's reaction when Allen
23 described his suspicion that money from the arms sales
24 may have been diverted to the contras?

25 A Well, it seemed to me -- again trying to

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1 remember -- that he seemed somewhat surprised by that.

2 Q Did Director Casey inquire as to what the
3 basis of Mr. Allen's suspicions were on that point?

4 A I don't recall that he pursued it. I think
5 Allen made basically the same observations that he had to
6 me on the first, and, as I recall it, I think that was
7 the point at which the Director asked Allen to write all
8 of these concerns, write all of it up.

9 Q Did Director Casey ask either you or Allen to
10 do anything else other than to write up, other than to
11 ask Allen to write up his concerns?

12 A No.

13 Q Could we mark this Exhibit 1?

14 (The document referred to was
15 marked Gates Exhibit Number 1
16 for identification.)

17 Mr. Gates, let me show you a document which
18 has been marked as Exhibit 1. It is a 14 October 1986
19 note from Charlie Allen to Director Casey, and attached
20 to it is seven pages of typewritten notes. Let me ask
21 you if you've seen that before.

22 A Yes. This is the paper that Allen provided to
23 the Director and me.

24 Q And you saw this at or around the time it was
25 produced?

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1 A Yes.

2 Q On page six of the memorandum Mr. Allen
3 describes his concern that Ghorbanifar may claim that
4 money from the arms sales had been diverted to "other
5 projects of the U.S. and of Israel". Do you know why
6 Mr. Allen referred to it this way rather than to say that
7 he was concerned that money was going to the contras from
8 the arms sales?

9 A No. But the way I interpreted it was that
10 between talking about it and writing it down for the
11 record that he became -- and again this is just my
12 interpretation -- he became less certain about what was
13 going on or about his speculation here and therefore
14 couched it in more general terms.

15 But, as I say, that's just my interpretation.
16 I did not ask him.

17 Q What did Director Casey decide to do about
18 Mr. Allen's concerns after he received this 14 October 86
19 memorandum?

20 A I encouraged the Director to make an
21 appointment with Admiral Poindexter and give him this
22 memorandum and alert him to these concerns.

23 Q And did such a meeting take place the next
24 day, October 15, 1986?

25 A Yes. As I recall, we tried to get an

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1 appointment the same day we got the memorandum, on the
2 14th, but were unable to do so, and met the next
3 afternoon in Casey's office. As I recall, Poindexter was
4 in the Old EOB because he had a staff meeting, and he
5 joined us prior to his staff meeting.

6 Q Was anyone else present at this meeting in the
7 Old EOB other than you, Director Casey and Admiral
8 Poindexter?

9 A No.

10 Q What happened at that meeting?

11 A Poindexter sat down. Casey gave him this
12 memorandum and urged him to read it in our presence, and
13 he did so.

14 Q And Poindexter read it. What happened after
15 Poindexter finished reading the memorandum?

16 A Well, he was basically, as I recall, impassive
17 in his reaction. There was discussion about the
18 operational security problem. As I recall, that was an
19 occasion, one of the first occasions, when Casey started
20 talking about making the entire affair public, and I
21 think he also at that point recommended to Poindexter
22 that he have the White House counsel review the matter,
23 review what the NSC was involved in, to ensure that
24 everything was legal. I don't know if he said "legal",
25 but to ensure that everything was proper.

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1 Q Do you recall any discussion at that meeting
2 about this reference on page six of the memorandum to the
3 possibility that money from the arms sales had been
4 diverted to other U.S. and Israeli projects?

5 A Again, memory is imperfect this long after,
6 but I don't think so. But he did encourage Poindexter to
7 read it carefully and he did.

8 Q You mentioned, I think, two things which I
9 would characterize as recommendations that Casey had as
10 to how to handle this thing. Is that a fair way to
11 characterize what Casey was suggesting?

12 A There was a brief discussion at the end of the
13 paper about appointing a panel of wise men, if you will,
14 to come in and look at all the documentation and review
15 the policy and make their suggestions on the next steps.
16 As I recall the conversation, that recommendation was
17 dismissed fairly quickly.

18 Q By Admiral Poindexter?

19 A Well, I don't really remember. My
20 recollection is that neither one of them took it too
21 seriously.

22 Q Who was it that offered that possibility?

23 A It's in Allen's memorandum.

24 Q I see. Okay. Did Director Casey suggest to
25 Poindexter that it was time to make the whole initiative

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1 public at this meeting on the 15th?

2 A That's my -- my recollection is that he said
3 something to the effect that it was time that they ought
4 to think about making the whole thing public.

5 Q What was Poindexter's reaction to that
6 recommendation?

7 A I don't remember precisely, but I think that
8 the basic reaction was that it was premature, that there
9 was still an opportunity to get some additional hostages.

10 Q Director Casey also recommended to Admiral
11 Poindexter that White House counsel review the
12 initiative. What was Admiral Poindexter's reaction to
13 that recommendation?

14 A At that meeting I don't think he reacted.

15 I should mention I don't know whether you will
16 be asking later, but before we went down to the White
17 House, down to the meeting, I asked Casey for permission
18 to break the compartmentation on this initiative and to
19 bring in CIA General Counsel and brief him on everything
20 that I had heard from Allen and ask him to look into the
21 entire matter and ensure that at least from our
22 perspective everything was proper, that there were no
23 problems.

24 Casey agreed, and I did that. And in the
25 context of that the General Counsel, in terms of the

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1 steps that he recommended to me, they paralleled what in
2 fact we did, which was to take the information to
3 Poindexter and recommend that they have White House
4 counsel review it.

5 Q What else did CIA General Counsel recommend?

6 A Those were his only recommendations at that
7 time. I asked him to look into the entire matter and he
8 later got back to me and said that he did not believe
9 there were any concerns from a legal or propriety
10 standpoint for CIA.

11 Q Do you know whether he looked into the
12 speculation by Charlie Allen that money from the arms
13 sales had been diverted to other uses?

14 A I don't know that he pursued that.

15 Q Were there any other recommendations made at
16 this meeting on the 15th other than what we have already
17 discussed?

18 A None that I can recall.

19 Q Were any decisions reached as to how to handle
20 Mr. Allen's concerns for the operational security of the
21 program?

22 A No. The Director encouraged Poindexter to
23 keep the paper and I recall that I guess it was my
24 suggestion that we remove the cover sheet, the cover note
25 from Mr. Allen so that to the degree that the paper

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1 expressed criticism of the enterprise it wouldn't reflect
2 badly on him.

3 Q And was that done?

4 A Yes.

5 Q Let me ask you, is the first page of Gates
6 Exhibit 1 the cover sheet for the memorandum?

7 A Yes, the transmittal notes from Allen to the
8 Director in name.

9 Q I want to go back a few days to a meeting that
10 you had with Colonel North on October 9. Do you remember
11 that meeting?

12 A Yes.

13 Q Where did that meeting take place?

14 A In Casey's office.

15 Q And who else was present besides you and
16 Director Casey and Colonel North?

17 A No one.

18 Q What was the purpose of that meeting?

19 A Well, the meeting had already been set up
20 between the Director and Colonel North, I was under the
21 impression for the purpose of Director Casey hearing
22 North's report on the most recent meetings with the
23 Iranians. I in essence invited myself to the lunch in
24 part because or in substantial measure because that
25 morning -- and I may have the dates, precise dates,

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1 incorrect -- but I believe that morning Eugene Hasenfus
2 had announced in Managua that he was working with or for
3 CIA, and he had been shot down I think two or three days
4 prior to that.

5 And it looked as though the Director and I
6 were going to go to the Capitol that afternoon and meet
7 with the Chairman and Vice Chairman of both of the
8 intelligence oversight committees. I had already talked
9 to the people in our Directorate of Operations and
10 received their reassurances that no one from CIA, no
11 assets or proprietaries or anything, were involved in any
12 of these activities.

13 And because of the impression that Colonel
14 North at least was a contact point or a go-between
15 between the private benefactors and the contras I wanted
16 the opportunity to ask him directly if he knew of any
17 involvement, direct or indirect, by CIA individuals or
18 proprietaries.

19 Q Is it fair to say, then, that the reason the
20 meeting was scheduled was to discuss the Iran initiative,
21 but because of events that had occurred on or about
22 October 7 you decided it would be an occasion also to
23 discuss the contras with Colonel North?

24 A Yes.

25 Q What discussion was there at the meeting about

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1 the Iran initiative?

2 A As I recall, North did give a debriefing on
3 the meetings with the Iranians. I believe also that
4 Casey described the unhappy investors and the operational
5 security problems raised by Mr. Allen. And again, as I
6 recall, I think that was basically it on the Iran
7 initiative.

8 Well, there was one other subject which I felt
9 a little foolish about at the time but subsequent to
10 Admiral Poindexter's testimony I have felt better about.
11 In the course of this lunch I noted that CIA still did
12 not have a copy of the January 17 Finding and that as far
13 as anyone knew that Finding existed in one copy only in
14 Admiral Poindexter's safe, and I told the Director during
15 the lunch that I felt he should insist on getting his own
16 copy. And I told North that he could tell Poindexter
17 that we would put it in Casey's personal safe, whatever
18 requirements they wanted.

19 I said perhaps I've been reading too many
20 novels, but that one piece of paper is the only thing
21 that gives legal authorization to what CIA has been doing
22 since 17 January in this affair, and who knows what might
23 happen to that single piece of paper. But if it
24 disappeared we could have big trouble. And we
25 subsequently got a copy of the Finding. I might add

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1 since the last couple of weeks I've really been glad.

2 Q Do you recall how you learned that you didn't
3 have the Finding? Could it have been from the CIA
4 General Counsel when you asked him to look into the whole
5 initiative?

6 A I really don't remember how it came to my
7 attention that we didn't have the Finding. I knew that
8 several of our people had read the Finding, and I don't
9 know why.

10 Q Did you later receive a copy of the Finding
11 from Colonel North?

12 A Yes, we did -- actually from Admiral
13 Poindexter. But it took a couple of weeks.

14 Q You mentioned that Director Casey described
15 his conversation with Furmark about the unhappy
16 investors. What was Colonel North's reaction when the
17 story of the unhappy investors was described to him?

18 A I don't remember really what his reaction was.
19 I don't really remember. I would speculate that he
20 explained the benefits in having changed channels, but
21 beyond that I really don't remember.

22 But I guess the other aspect of it worth
23 noting is simply that his response was nothing
24 remarkable. He didn't fall over backward in his chair
25 and say that's the most horrible thing I've ever heard.

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1 Q What was his reaction when the operational
2 security problems with the initiative, as seen by
3 Mr. Allen, were described to him?

4 A Again my recollection is that in that part of
5 the conversation he was mostly just listening. My memory
6 is vague on that, but I think that Casey did most of the
7 talking on that question.

8 Q Did Colonel North attempt to refute Mr.
9 Allen's concerns for the operational security of the
10 program?

11 A Not that I recall,

12 Q Was Mr. Allen's concern that money from the
13 arms sales was being diverted to other programs raised at
14 the meeting?

15 A No.

16 Q Colonel North has testified that it was on
17 Mr. Casey's instructions that he began destroying
18 documents concerning the Iran initiative and his
19 involvement in the contra program, and that he received
20 these instructions from Director Casey shortly after
21 Director Casey received the call from Mr. Furmark. Was
22 there any reference at all, any discussion at all, in
23 this meeting on October 9 about destroying documents
24 concerning either the Iran initiative or the contra
25 program?

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1 A Absolutely not. I think that the most that
2 Casey probably said in that session was something to the
3 effect, on the unhappy investors and so on, was probably
4 something to the effect of you ought to get this
5 straightened out or something like that. There was no
6 indication, I mean nothing that I recall, that you could
7 read between the lines, as I've thought back, in terms of
8 destroying documents or anything like that.

9 Q Let's turn to the discussion at the meeting
10 about the contras. What did you say to Colonel North
11 about the contras and what was his response?

12 A It was really not a prolonged exchange. I
13 simply think I noted -- we talked about the Hasenfus
14 matter, the shootdown, and I simply asked North directly
15 whether he had any knowledge whether any CIA assets or
16 proprieties, directly or indirectly, were in any way
17 involved with the private benefactor effort, and he
18 responded absolutely not, that he had worked very hard to
19 prevent that.

20 And I think that was the end of that
21 conversation, and that was the part that I recorded.

22 Q Did you and Director Casey have plans to go
23 down and speak to the Congressional Committees about the
24 Hasenfus matter on the 9th of October?

25 A I have been trying to reconstruct that in my

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1 mind. I thought that we should, and I think that the
2 initiative was ours in the event, but it may not have
3 actually been arranged until after the lunch.

4 Q You have described a discussion about the CIA
5 lack of involvement with the private benefactors. Was
6 there any discussion in the meeting about what Colonel
7 North's role was with respect to the private benefactors?

8 A No.

9 Q Why wasn't Colonel North's role regarding the
10 private benefactors discussed?

11 A Well, I was the one that raised it, and
12 frankly the main issue on my mind was the firestorm of
13 publicity surrounding CIA's role because of the
14 allegations made by Hasenfus and also what was on the
15 news media and so on. So that was really my
16 preoccupation at the moment, was CIA, not what Colonel
17 North might have been involved in.

18 Q I was going to get into this later on, but
19 this may be a good time to discuss it. As of the 10th of
20 October what did you know about the role of [REDACTED] CASTILLO
21 [REDACTED] in assisting the private
22 benefactors?

23 A Absolutely nothing.

24 Q You didn't know that he had a KL-43 machine or
25 some kind of secure communications device?

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1 A No.

2 Q And you didn't know that he was --

3 A Well, I didn't know that he had a device

4

5 Q Right. And you didn't know that he was
6 relaying information between the private benefactors and
7 the southern front forces?

8 A No.

9 Q And you didn't know that he was receiving
10 instructions regarding the private benefactors from
11 Colonel North?

12 A No.

13 Q What did you know about Colonel North's role
14 concerning the private benefactors as of 10 October?

15 A Well, most of what I knew I knew from
16 allegations in the newspapers. My understanding of what
17 he was doing at the time was that he was basically
18 holding the hand of the resistance leaders, offering them
19 political advice and staying in touch with them, that he
20 was encouraging, with presumably others in the White
21 House, encouraging private Americans to donate money to
22 the contras, and I presumed that he had a role in putting
23 those two groups in touch with one another.

24 And that basically was my understanding of his
25 role.

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1 Q Did you know that the private benefactor
2 operation was being run out of [REDACTED]
3 [REDACTED]

4 A Well, I think I knew that some -- yes, I guess
5 I did, that some of the private benefactor resupply
6 planes were moving [REDACTED] because this
7 was a question that came up in the meeting with the
8 Chairman and Vice Chairman of the Intelligence
9 Committees.

10 Q Who did you think the private benefactors were
11 as of October 1986?

12 A My impression, frankly, was that those who
13 were -- well, the private benefactors were wealthy
14 Americans who were contributing to the cause.

15 Q Did you know, did you tie any names to this
16 group of private benefactors?

17 A Well, I had read the names in the newspaper of
18 General Secord and General Singlaub, I guess particularly
19 General Singlaub at that point. That's the only name
20 that I recall. C/CATF

21 Q [REDACTED] has testified in a deposition to
22 the Committee that he knew as of October of 1986 that
23 Ollie North was in some way connected with the private
24 benefactors. Did he ever tell you that as of October
25 1986?

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1 A Not that I recall. I just don't remember. I
2 don't think so.

3 Q Were you aware of any connection between North
4 and the private benefactors as of October 1986?

5 A Well, as I indicated --

6 Q Other than North's general involvement with
7 fundraising.

8 A And in an advisory capacity, no, certainly not
9 in an operational sense. Let me put it that way.

10 I might add, you know, there's been a great
11 deal of attention drawn to the letter that McFarlane sent
12 to Mr. Hamilton avowing that whatever North was doing was
13 legal and proper. The House Intelligence Committee were
14 not the only ones that read that letter and were not the
15 only ones that believed it. So there was a
16 predisposition that while we didn't know or certainly
17 from my standpoint, I think from the standpoint of others
18 as well, that while we didn't know entirely what North
19 was up to, the presumption was that it was proper because
20 of that letter.

21 Q Is it safe to say that the same
22 representations that were made to the Intelligence
23 Committees about Colonel North's role in supporting the
24 contras by the NSC were made to the CIA as well and that
25 you relied on those representations?

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1 A Well, during that period I was the Deputy
2 Director for Intelligence and not really involved in any
3 -- would have had no legitimate connection with any of
4 these activities to begin with, so nobody said that to me
5 directly, but I think it's a fair -- I don't know whether
6 there were specific representations made, but I believe
7 in retrospect that people at CIA did pay attention, read
8 and pay attention, to that letter and believed it.

9 Q Let's go back to the meeting on October 10.

10 A Nine.

11 Q October 9, excuse me. Was there any
12 discussion at that meeting about Swiss bank accounts?

13 A There was a reference, as I recall, at the
14 very end of the lunch -- we may have even been getting up
15 from the table -- some reference, a vague reference that
16 I have not been able to reconstruct of something to do
17 with Swiss bank accounts and the contras.

18 Q Who made the reference?

19 A North.

20 Q Do you know what prompted the reference?

21 A I do not recall, but this subject of the
22 contras and the Hasenfus affair and the private
23 benefactors and any CIA connection, as I recall, was the
24 last subject at the lunch so it presumably grew out of
25 that discussion.

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1 Q Did North say anything when discussing the
2 Swiss bank accounts that in any way caused you to draw a
3 connection between those bank accounts and anything to do
4 with the Iran initiative?

5 A No. But, coming from the analytical side of
6 the house, Swiss bank accounts have a connotation for me
7 that maybe they wouldn't for people in Operations [REDACTED]
8 [REDACTED] and as a
9 result, immediately after the lunch, I went back into
10 Casey's office and said, you know, he made some strange
11 reference or whatever to Swiss bank accounts and the
12 contras. Is there anything there that we should be
13 worried about or that we should be concerned about?

14 And it appeared to me that Casey hadn't even
15 picked up on what he had said. He kind of looked at me
16 quizzically and he had either not heard or it hadn't made
17 any impact on him or whatever, and he basically just kind
18 of waved it off.

19 Q Is there anything else you can remember about
20 Colonel North's reference to the Swiss bank accounts and
21 the contras?

22 A No.

23 Q Did either you or Director Casey at this
24 meeting on the 9th ask Colonel North whether money was
25 being diverted from the arms sales to the contras?

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1 A No.

2 Q Why didn't you ask him about it?

3 A Well, again I think it has to be seen in the
4 context of October 9 and not the end of July 1987. The
5 principal concern that Allen had surfaced was one of
6 operational security. There was no reference in any of
7 his discussions or in his paper to anybody in the United
8 States Government being involved. There was no reason to
9 have the slightest suspicion at that time that anybody at
10 the NSC was involved in this activity.

11 The question really was focused more on, in
12 the initial conversation on the possibility of perhaps
13 General Secord being involved in something inappropriate.
14 So there was really no reason to ask North, because there
15 was no suspicion at that point even by Allen that he or
16 anybody else at the NSC was in any way associated with
17 that speculation.

18 Q Would you mark this as Exhibit 2?

19 (The document referred to was
20 marked Gates Exhibit Number 2
21 for identification.)

22 Mr. Gates, let me show you Exhibit 2, which is
23 a 10 October 86 memorandum prepared by you concerning
24 lunch with Ollie North. Do you recognize that?

25 A Yes.

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1 Q Is that the memorandum of your meeting with
 2 North on the 9th?

3 A Yes.

4 Q The one question I have about Exhibit 2 is,
 5 why doesn't it contain any reference to Colonel North's
 6 statement about the Swiss bank accounts and the contras?

7 A Because it was, as I indicated, kind of a
 8 cryptic comment that I attached -- didn't understand.
 9 And when I raised it with the Director he hadn't made
 10 anything of it. And so, since I didn't know what he was
 11 talking about, there is no reason to include it.

12 Q When did you and Director Casey next meet with
 13 Admiral Poindexter after the meeting on the 15th?

14 A I left the country on an overseas trip on 17
 15 October. I think I got back on the 30th. And I think
 16 our next meeting was on November 6.

17 Q I'm sorry. When did you say you got back?

18 A I think on October 30.

19 MR. BARBADORO: Let's go off the record.

20 (A discussion was held off the record.)

21 MR. BARBADORO: Let's go back on the record.

22 BY MR. BARBADORO: (Resuming)

23 Q When was your next meeting with Director Casey
 24 and Admiral Poindexter after the 15th?

25 A That was November 6.

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1 Q What was the purpose of that meeting?

2 A As best I can recall, it was one of our
3 regular Thursday evening meetings. We would meet every
4 week.

5 Q Did the subject of the Iran initiative come up
6 at that meeting?

7 A As I recall, it came up only briefly. I
8 believe the Director again urged making it public and
9 again urged having White House counsel review the NSC's
10 activities, and I'm pretty sure it was at that meeting
11 then that Admiral Poindexter said that he didn't trust
12 the White House counsel. I guess he said I don't trust
13 Wallison to keep his mouth shut.

14 Q Was there anything said at this meeting about
15 whether Colonel North should get a lawyer?

16 A No, not that I recall.

17 Q In one of your earlier -- one of the
18 transcripts of your earlier testimony on this initiative
19 you made a reference to Director Casey at some point
20 suggesting that Colonel North should get a lawyer, and
21 I'm unclear as to when that was.

22 A I don't think that was in my presence. I
23 think he told me about that or just mentioned that he had
24 told North that he ought to get counsel. And, as I think
25 I pointed out in one of the testimonies, it really wasn't

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1 clear to me whether he was referring to North talking to
2 the White House counsel or getting private counsel. It
3 was just a passing reference, and I think it was in the
4 context of talking about this same kind of
5 recommendation, about having White House counsel review
6 the matter.

7 Q Did he explain whether he thought North had
8 done something wrong?

9 A No. As I have looked back through, as part of
10 the investigations and so on, my impression has been --
11 and it's only an impression, -- that he thought that North
12 might have some civil liability growing out of the
13 unhappy investors, but that's just a speculation on my
14 part.

15 Q Do you know whether Director Casey raised
16 specifically Charlie Allen's concerns about the
17 possibility that money from the arms sales had been
18 diverted to the contras with Admiral Poindexter in the
19 meeting on November 6?

20 A I'm pretty sure he did not.

21 Q He did not. So there was no discussion at
22 that meeting on the 6th about the possibility of funds
23 being diverted to any project as far as you can remember?

24 A I'm pretty certain that's the case. I do not
25 recall the subject being raised with Poindexter in my

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1 presence again after October 15.

2 Q According to our records, you and Director
3 Casey met with Admiral Poindexter again on November 13.

4 A Yes.

5 Q This was after the Iran initiative had been
6 made public. Was there any discussion at this meeting on
7 the 13th about the issue of diversion?

8 A No. The one thing that I recall happening, it
9 became clear that we were going to have to testify before
10 Congress on this matter, and on the 12th I drafted a note
11 for Casey to send to Poindexter saying what expressed my
12 view that we should not come up to the Hill to brief at
13 all unless the President rescinded his direction not to
14 talk about the Finding, that we had to be able to talk
15 about the Finding and all of the activities that flowed
16 from it.

17 Casey did not send that note, and my
18 recollection is that at the meeting on the 13th, though,
19 the subject came up and I believe that at that point it
20 was agreed that that's the way it would go, that we would
21 testify, when we did testify we would testify to the
22 Finding and everything else.

23 Q I'm want to turn to the subject of the
24 preparation of Mr. Casey's testimony and I want to show
25 you a document which CIA has provided to the Committee

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1 and which might be helpful to you in refreshing your
2 recollection as to when you first got instructions to
3 help prepare that testimony. Let me mark it as Exhibit
4 3.

5 (The document referred to was
6 marked Gates Exhibit Number 3
7 for identification.)

8 Exhibit 3 is a 16 November 86 memorandum from
9 Director Casey to you. Let me ask you if you remember
10 getting that memorandum on or about 16 November.

11 A I had not recalled this memorandum until I saw
12 it a few days ago. As a result, I had thought from the
13 very beginning that my telephone call to Mr. Casey on the
14 17th was to persuade him to return from Central America
15 to deliver testimony, that I would not be able to give it
16 myself without knowing a lot of the facts and details.

17 Having seen this, I still don't recall having
18 gotten it, but, having seen it, I now believe that that
19 memo indicates that he intended to return at midnight
20 Thursday. Now I believe that my phone call to him was
21 probably to tell him that he had to come back earlier
22 than that.

23 Q When did Director Casey leave for Central
24 America and when was he originally scheduled to return?

25 A Well, I don't really know, but I think he was

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1 leaving that Sunday, the 16th, and I think he was
2 scheduled to be gone the entire week.

3 SENATOR BOREN: Let me interject. Chairman
4 Stokes asked me to come over as well. It had been our
5 understanding -- and Mr. Gates has not entered any
6 objection to this -- but it has been our understanding
7 when we had a Members meeting of the Committee that it
8 was not necessary to call Mr. Gates to testify.

9 The Members of the Committee, I had thought,
10 decided it and that if he were asked he would be asked to
11 give his policy feelings about oversight. We have been
12 through all of this under sworn testimony in his
13 confirmation hearings and we, the elected members of the
14 Committee, if we have any rights in this matter, felt
15 that it would be unnecessary to go over these matters
16 again.

17 I'd like to have my feelings entered into the
18 record as an elected Member of the Committee under the
19 Constitution of the Senate, that the members of the
20 Committee, I had thought, had some rights in this, and
21 Chairman Stokes of the House Intelligence Committee
22 authorized me to convey a similar feeling about this.

23 And I don't see any reason why, unless there
24 is a matter that has been testified to since then by the
25 witnesses, that we would want to refer back to his sworn

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1 testimony before the Intelligence Committee. To go
2 through all this again I think is an unnecessary
3 imposition on Mr. Gates, so I want to state that for the
4 record and have it entered into the record of the
5 deposition that that's the feeling of this elected member
6 of this Committee.

7 I think it's also the feeling of Chairman
8 Stokes. It was the feeling expressed by Senator Cohen at
9 that meeting, and I was unaware until two days ago that
10 this was being held. But I don't see any point in going
11 back over this, because I think our Committee has
12 delivered to this Committee the full transcript of the
13 sworn testimony of Mr. Gates on these matters.

14 MR. BARBADORO: Well, Senator, if there's one
15 thing I didn't need to learn from these hearings, it is
16 that elected and accountable officials make the important
17 decisions.

18 SENATOR BOREN: I thought that was what we
19 were investigating. I think it's a little ironic that
20 while we're investigating that matter that our own
21 Committee seems to be functioning to the contrary.

22 MR. BARBADORO: If I have misinterpreted my
23 instructions from the Committee, I apologize. Let me say
24 this, and I will defer to your judgment on it.

25 I went out to the CIA to meet with Mr. Gates a

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1 couple of days ago to discuss with him his testimony in
2 this deposition. It was intended that the deposition
3 would be primarily focusing on policy matters. There
4 were a couple of areas in which the committee has
5 discovered documents since the time of his last testimony
6 that we wanted to ask him about.

7 And, in addition to that, there are a couple
8 of instances, one of which I am leading into now, where
9 Mr. Gates has additional information that he wanted to
10 add to the record, and it was my intention to question
11 him on these matters to give him an opportunity to
12 respond to new documents that we found, to respond to
13 allegations that were made by Colonel North, and to give
14 him an opportunity to supplement the record where he
15 wanted to.

16 I understood that Mr. Gates was in agreement
17 with that, but I, of course, defer to the elected members
18 of the Committee.

19 SENATOR BOREN: I think Mr. Gates is in
20 agreement with that and he has entered no objection to me
21 about it. I just had found out inadvertently that it was
22 scheduled and Chairman Stokes and I discussed this
23 yesterday and Senator Cohen as well. We were not aware
24 of it. We thought we had decided not to do that, and I
25 don't want to in any way intervene, because I don't want

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1 to imply that Mr. Gates isn't willing to answer
2 everything, as we have said.

3 MR. BARBADORO: You're the boss. You tell me
4 what to do.

5 SENATOR BOREN: He's one of the most candid
6 people we have ever dealt with and that was the
7 expression of opinion of Mr. Hamilton and Senator Cohen
8 and Chairman Stokes and myself, and I'm sure he's willing
9 to do that.

10 All I would urge is that we take as little
11 time as possible so that we can go straight to the heart
12 of the new matters, because he has testified ad nauseum
13 to all of these matters during the confirmation process
14 and under oath. So I would think that if you can just
15 focus on the things, if there are new documents that have
16 come up, I think that's certainly something -- or
17 information he wishes to add for the record -- I think
18 that's fine.

19 But I would just urge you not to take the
20 whole afternoon with him.

21 MR. BARBADORO: Well, you're the boss. In
22 fact, I'll defer to you. You can ask him any questions
23 you want. As I say, I understood that I was acting in
24 accordance with my instructions. I'm not here to
25 harrass Mr. Gates. I informed your counsel that I was

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1 going to do this two days ago. I didn't know that you
2 had an objection to it.

3 SENATOR BOREN: Which counsel?

4 MR. BARBADORO: Mr. Holmes.

5 MR. HOLMES: Actually, I learned of it the
6 same time you learned of it, and we had a discussion of
7 it yesterday in the anteroom.

8 MR. BARBADORO: I defer to you, Senator. I
9 won't ask any further questions.

10 SENATOR BOREN: Why don't you go ahead and ask
11 the questions that are anything new since he testified,
12 but, I mean, I don't think we should ask him over again
13 what happened at this meeting and that meeting, because
14 he's testified to all that. I know he testified before
15 our committee to the preparation of the testimony and the
16 rest of it, and if there are new documents why don't you
17 go ahead and ask him?

18 MR. BARBADORO: Can we go off the record for
19 second?

20 (A discussion was held off the record.)

21 SENATOR BOREN: Why don't we go back on the
22 record? I want to make it clear that I'm not expressing
23 any feeling that counsel here who is conducting this
24 questioning is acting in bad faith. I think he is a
25 person who always conducts himself in good faith and

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1 there has simply been a misunderstanding. It could as
2 easily have been on our side as on his, and I certainly
3 know Mr. Gates is anxious to answer any questions that
4 are relevant that need to be asked.

5 My only point would be that I think it should
6 proceed, but I would hope it would not be necessarily
7 drawn out and simply go to new information or new
8 questions that have been raised by testimony of others
9 since the time Mr. Gates appeared before the Intelligence
10 Committee under oath and it would not be necessary to
11 repeat the same matters.

12 MR. BARBADORO: Thank you, Senator. If for no
13 other reason than I have to catch a plane for New
14 Hampshire at 5:30, believe me I intend to make it as
15 brief as possible. I will confine my questioning only to
16 new areas and to policy matters and will try to make it
17 as brief as possible.

18 Thank you, Senator.

19 BY MR. BARBADORO: (Resuming)

20 Q Let me just return to Exhibit 3, which is a
21 document that I understand you had not seen when you last
22 testified.

23 A I certainly did not recall it.

24 Q Having looked at that, is it your
25 understanding that Director Casey gave you written

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1 instructions to have his testimony prepared before he
2 left for Central America?

3 A Yes. This memorandum would seem to me to make
4 it clear that he intended to deliver the testimony all
5 along.

6 Q And in general terms could you describe what
7 you did to give instructions to people to have testimony
8 prepared?

9 A Yes. When I talked to Mr. Casey on Monday I
10 told him -- well, I gathered a meeting, held a meeting of
11 people who would be drafting the testimony in my office
12 on Monday, the 17th, and I told them that I felt that we
13 had to have -- that I wanted the testimony prepared along
14 with two things in mind.

15 First of all, I wanted to put all the facts on
16 the table. In fact, I'm forced to remember that I said
17 at the time that the only way we can avoid a long, drawn-
18 out investigation is to put all the facts on the table at
19 the outset. I also said that I did not want the
20 testimony to be a defense of the policy. I said that I
21 wanted the Director to testify as the Director of CIA and
22 not a Cabinet member and not an advisor to the President.

23 I wanted to give all the facts of CIA's
24 involvement and if the Director wished to defend the
25 policy then he could do that in the question and answer

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1 session following the prepared testimony. But basically
2 I said we have to put together all the facts for the
3 Director and that should be his testimony. And that's
4 what I told him was the strategy that we were following
5 when I called him.

6 Q Let me turn to November 19. Do you recall a
7 meeting on that date at CIA headquarters concerning the
8 preparation of Mr. Casey's testimony?

9 A Yes. I believe at General Counsel's
10 suggestion I convened a meeting of the Deputy Director
11 for Operations, I believe Mr. Rizzo was there, Mr.
12 McCullough, the Director of the Executive Staff, the
13 assistant in Mr. George's office who was doing the actual
14 drafting of the testimony, and maybe one or two others --
15 Dave Greese, the Director of Congressional Relations.

16 And at that meeting the General Counsel, Mr.
17 Dougherty, said that it appeared that some of the facts
18 involved were getting shakier rather than better as we
19 were going along and was it possible to postpone the
20 testimony. And I told him that I thought that given the
21 momentum that had been generated that I thought it would
22 be impossible to get a postponement, and he indicated
23 that some of the information, particularly on various
24 things, was getting shaky.

25 And I said that we should simply enter into

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1 the record, then, or enter into Casey's testimony a
2 statement that we didn't have all the facts together and
3 that they would be provided as they became available.
4 Now that's what I remember of the meeting.

5 Mr. Dougherty has additional recollections
6 from that meeting that I don't remember but I will go
7 ahead and put on the record. He recalls that as I was
8 asking questions the people drafting the testimony said
9 well, we don't know what Mr. McMahon and Mr. Juchniewicz'
10 recollections are on this thing, and I directed them to
11 call McMahon and Juchniewicz and find out.

12 There were several other factual questions
13 that came up of trying to get testimony, and Dougherty's
14 recollection is that in each case I directed them to go
15 get the information or to try and find it. And his view
16 was that the overall message from the meeting to those
17 participating was that it was essential to nail down the
18 facts and get all the facts out on the table, and that
19 where we were uncertain to make sure we were explicit
20 about saying we were uncertain.

21 Q Was there any specific discussion about
22 diversion, the issue of diversion, at that meeting?

23 A Not at that meeting, no.

24 Q Was there a meeting during that week in which
25 there was a discussion about diversion?

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1 A On the afternoon of -- well, I attended two
2 meetings on the 20th, and here is something. They both
3 involved things that I had not recalled at the time of
4 the February hearings that may be worth pointing out.

5 Contrary to the testimony of at least a couple
6 of people who have appeared publicly, I was a participant
7 in the afternoon meeting in Admiral Poindexter's office.
8 It's a pity to be so faceless.

9 Our participation in that meeting was because
10 Colonel North had tried to persuade the people at the
11 Agency drafting the Director's testimony to indicate that
12 the Israelis or someone else had called to inquire to set
13 up the proprietary flight in November of 1985 rather than
14 himself. And this issue had been argued back and forth
15 between our people drafting the testimony and Colonel
16 North and could not be resolved.

17 And so I told the Director that we should go
18 down to Poindexter's office to set this straight because
19 it seemed to me to be a fairly important point. This is
20 one of the several occasions when I thought I was
21 initiating something and in fact, based on Admiral
22 Poindexter's testimony, that meeting had been arranged
23 all along. But I had the impression that it was my idea
24 that we go down.

25 In any event, we walked into the meeting. The

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1 Attorney General and Mr. Cooper were already there with
2 Admiral Poindexter. Colonel North came in after we got
3 there. And my recollection of what I had testified to
4 was that at that point I told Admiral Poindexter that we
5 had a problem, that our officers recalled and were
6 prepared to testify under oath to the fact that it was
7 Colonel North that had called or had arranged the
8 proprietary flight and that there was a disagreement on
9 that, that that was not Colonel North's recollection.

10 Well, just putting it out on the floor and
11 perhaps in the presence of the Attorney General,
12 basically the issue went away. It was very quickly --

13 Q They acquiesced in your position?

14 A Absolutely. It was only with Mr. Cooper's
15 testimony that I recalled that there had been a
16 discussion also of the events in the fall of 1985. I
17 believe that the reason that I did not remember this
18 earlier was because it concerned a series of events in
19 which I did not participate and was not Deputy Director
20 of Central Intelligence, and so really had no reason,
21 frankly, to pay much attention, because people were
22 saying something that I had no reason to quarrel with.

23 My recollection of that discussion having been
24 triggered by Mr. Cooper's testimony is that either
25 Colonel North or Admiral Poindexter -- and I do not

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1 remember which -- said of the fall of 1985 that the
2 Israelis asked for agreement to sell weapons to the
3 Iranians. The story that was being told there that I
4 recall was that the U.S. Government refused permission
5 but that the Israelis went ahead anyway and the decision
6 was made not to report that under the Arms Export Control
7 Act in order to hold that venue open in the event the
8 United States wanted to use it.

9 Well, when the investigations began, you know,
10 as things began to come out, I thought I had gotten it
11 confused, that I hadn't heard correctly because that
12 version or that account did not square with what I was
13 later reading in the newspaper, were conflicting version
14 of what had happened that fall. But Mr. Cooper's
15 testimony did trigger that recollection for me.

16 Q Mr. Cooper testified about some discussion at
17 the meeting and in particular referred to a statement by
18 Colonel North that the testimony should be changed to
19 reflect not only that no one in the CIA knew until
20 January that the plane had carried HAWK missiles in
21 November but that no one in the U.S. Government knew
22 until January.

23 Do you remember of any discussion of that
24 point at that meeting on the 20th?

25 A I don't really recall it, but, as we have been

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1 able to reconstruct it, I think that what happened on
2 Thursday -- and this is just my view -- ended up being a
3 very large misunderstanding. The first draft of Casey's
4 testimony was prepared by the clandestine service, by the
5 Director of Operations. It was prepared with Colonel
6 North's help, particularly with respect to the events
7 prior to January 1986, because most of the officers
8 involved in helping to prepare the testimony had not been
9 directly involved and therefore had to turn to help.
10 They had no other source of information.

11 That first draft contained the sentence that
12 Colonel North had suggested, that no one in the U.S.
13 Government knew what was on that airplane.

14 Q So that we're clear, that is the draft which
15 the CIA has recently determined was prepared on the 19th
16 of November?

17 A It must have been, yes. That draft was given
18 to Director Casey when he returned from out of town, from
19 being out of the country. The next draft prepared was a
20 draft that carried the time noon or 12:00 on November 20.

21 According to the people who drafted that
22 testimony, Casey himself -- that noon draft reflected
23 only Casey's changes to the original draft he had been
24 given. He himself had taken out the sentence that no one
25 in the U.S. Government knew.

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1 When we went to the meeting on Admiral
2 Poindexter's office -- now this is again my
3 reconstruction or the reconstruction of all of us
4 involved -- when we went to the meeting in Admiral
5 Poindexter's office we took with us -- there was at the
6 meeting, and I assume we took it with us, a single sheet
7 of paper that was a chronology of CIA's involvement in
8 November 1985 in that flight.

9 During the course of that meeting, as we have
10 been able to reconstruct it -- again, I really don't
11 recall it myself -- Colonel North tried to reinsert the
12 language that he had put in the first draft early in the
13 week, that no one in the U.S. Government knew about it.
14 Apparently Casey, just writing, went ahead and wrote that
15 down on that single sheet of paper. It is my impression
16 that it is that piece of paper that triggered Mr.
17 Cooper's call to the State Department, when in fact at
18 that point that sentence was no longer in Mr. Casey's
19 testimony, about no one in the U.S. Government knowing.

20 Now we brought that piece of paper -- or
21 Casey, according to Mr. McCullough, Casey brought that
22 piece of paper back to the office with that written in on
23 it, but nothing ever happened to it. In other words, it
24 was not reinserted into the testimony.

25 Q And it was never intended to be inserted into

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1 the testimony?

2 A Once Casey had made the change in the first
3 draft, it never reappeared in another draft of the
4 testimony.

5 Now the other issue that we had difficulty
6 with was what people in CIA had known, and my
7 understanding is that the early draft said that no one in
8 CIA knew what was on the plane. As the week went along,
9 this was one of the sources of Mr. Dougherty's concern
10 because he began learning that perhaps some of the people
11 in the proprietary, perhaps somebody in Western Europe,
12 perhaps the crew of the airplane in fact had known there
13 were weapons on the plane.

14 So that that sentence, that reference, became
15 increasingly ambiguous with each successive draft, and
16 finally reached the point where, as I recall, it was
17 essentially excised altogether and it finally reappeared
18 in Casey's testimony on the 10th of December, that no one
19 in senior management of CIA knew what was on the
20 airplane.

21 So that was the dispute. Frankly, I think
22 that it was Mr. Cooper's -- again based on this
23 reconstruction that we have tried to make -- it was Mr.
24 Cooper taking the chronology with the change that North
25 had suggested presumably at that meeting that triggered

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1 his concern that Casey was about to give false testimony.

2 Q Okay.

3 A That's my understanding.

4 Q Just so we're clear about this, let me mark as
5 Exhibit 4 that one-page chronology of CIA involvement.

6 (The document referred to was
7 marked Gates Exhibit Number 4
8 for identification.)

9 Is this the one-page insert you've been
10 discussing?

11 A Yes.

12 Q Can you identify for me the handwriting that
13 you recognize on that exhibit?

14 A The handwriting in the second and fifth
15 paragraphs is Casey's. The factual correction in the
16 very last paragraph, crossing out February and
17 substituting November, I believe is my writing. I do not
18 recognize the other writing.

19 Q So that I understand you, as the Agency has
20 been able to reconstruct this, the last draft of Director
21 Casey's proposed testimony that contained the phrase "no
22 one in the USG" was a draft prepared by the Operations
23 Directorate sometime prior to the 20th of November?

24 A Yes.

25 Q And that it was Director Casey who, in

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1 reviewing that draft, took out the reference "No one in
2 the USG"?

3 A That is the reconstruction and believe of Mr.
4 McCullough, who basically superintended the effort.

5 Q And that when you went to the meeting on the
6 20th this one-page insert, it was not the intention of
7 you and Director Casey that this one-page insert be
8 included in the Director's testimony?

9 A No, I don't believe so. And in fact it is
10 worth noting that the draft itself before the handwritten
11 change said we in CIA did not find out that the airline
12 had hauled HAWK missiles. It did not say no one in the
13 USG. That change was made, presumably, in the meeting.

14 Q The last factual area I have questions about
15 is after the meeting on the 20th at the White House do
16 you recall where you and Director Casey went?

17 A My recollection is that immediately after the
18 meeting Casey and I split up and I went back to North's
19 office with him because he said that he had a new copy of
20 the chronology or wanted to give me a copy of the
21 chronology. I was in his office perhaps five minutes
22 while he made a copy, and I immediately left. I don't
23 know where Director Casey went. I think I've been told
24 that he went to his Old Executive Office Building office.

25 Q In any event, you split up and you went back

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1 to headquarters?

2 A Yes.

3 Q Did you attend a meeting at CIA headquarters
4 to discuss the proposed testimony?

5 A Yes. We convened a meeting at 4:00 to discuss
6 the testimony, and I think that the kindest word to
7 describe that meeting was "pandemonium". There were
8 probably 15 or 16 people in the room, including everybody
9 who had had anything to do with any of this -- Mr.
10 Clarkidge, a variety of lawyers, the Congressional
11 people, people from the clandestine service, Mr. Allen
12 and so on.

13 And Mr. Casey basically ran the meeting, going
14 through, making changes in the testimony, updating and
15 changing things we weren't sure of. People were passing
16 comments and conversations, and Casey was tearing off
17 pages and it was just mass confusion. During the course
18 of that there were a lot of questions. Now that's
19 basically what I remember of that meeting.

20 Mr. George and Mr. Dougherty, Deputy Director
21 for Operations and the General Counsel, remember an
22 exchange that I did not recall, and frankly do not recall
23 to this day, but it seems germane and I will mention it.
24 It is worth noting also that everyone at that meeting has
25 been polled with respect to this exchange and no one else

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1 at the meeting remembers the exchange except these two
2 gentlemen.

3 So with that by way of background --

4 MR. BARBADORO: Off the record for a second.

5 (A discussion was held off the record.)

6 THE WITNESS: According to Mr. George and Mr.
7 Dougherty there were a number of questions being fired
8 back and forth about did you know this, did you know
9 that, and so on and so forth. And at one point,
10 according to this version -- and I guess harkening back
11 to the memorandum that I had gotten on the first of
12 October from North and that we had given to Poindexter --
13 I'm sorry, from Allen and that we had given to Poindexter
14 -- I turned to Casey and said do you have any knowledge,
15 according to this account, do you have any knowledge of
16 any kind of diversion, or words to that effect.

17 And the General Counsel Dougherty then spoke
18 up and said yes, there has been some speculation to that
19 effect. And Casey said words to the effect, no, I don't
20 know anything about that. And that was the end of the
21 exchange. And, as I say, when I was asked in February
22 whether there had been any discussion of the diversion in
23 the preparation of Mr. Casey's testimony I did not
24 remember that.

25 Q And you still don't?

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1 A And I still don't remember it. But because
2 two of the 15 or 16 people in the room recall the same
3 thing, it is probably worth putting on the record.

4 Q So that this is also clarified, if he did say
5 something about the diversion, what would have been the
6 basis of your knowledge about diversion?

7 A It would have been going back to Mr. Allen's
8 memorandum, because at that point that was the only piece
9 of information that I had received suggesting that there
10 might have been a diversion.

11 Q That's all I have on facts. I have a number
12 of policy issues I want to raise with you. If we could
13 take a break for about five minutes, it will take maybe
14 45 minutes and we'll be done.

15 (A brief recess was taken.)

16 MR. BARBADORO: Back on the record.

17 BY MR. BARBADORO: (Resuming)

18 Q Mr. Gates, one of the things the Committee is
19 really looking for help on is trying to make an
20 assessment of what went wrong here and what changes we
21 can make to be sure that these kinds of things don't
22 happen in the future.

23 I would begin by asking you a very general
24 question about what you thought went wrong with the Iran
25 initiative and in general what kind of changes you feel

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1 we need to make to prevent these kinds of things from
2 happening in the future.

3 A It's a very bureaucratic answer, but it has in
4 some respects perhaps taken the Iran-Contra affair to
5 make bureaucracy look good. The fact is that what
6 basically went wrong here was that every element of
7 regular policy process and procedure was ignored and
8 bypassed -- ignored or bypassed.

9 If those procedures had been followed, I think
10 there would have been -- perhaps the decision still would
11 have been made to go ahead, but it would have been
12 carried out, the enterprise would have been carried out
13 in a way in which the safeguards that are built into the
14 system would have been applied.

15 I don't think you would have ended up with
16 private individuals involved. We know how, you know.
17 It's a common problem. When somebody has something you
18 want and you are going to pay for it and you don't trust
19 them, how do you get in your hands something at the same
20 time he gets his in hand, what he wants? And
21 operationally that's an easy problem. We do that all the
22 time.

23 So there's no need to go out and raise private
24 funds, a private bridge loan on behalf of the United
States Government to carry out this kind of affair. And

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1 if you just pick out the financial aspect of it, you
2 might still have had a misguided and a wrong policy but
3 you certainly would not have ended up with possible
4 criminal behavior and the kind of mistrust that has been
5 sewn within the government, both in the Executive and in
6 the Legislative, by this undertaking.

7 So it seems to me -- I read in the paper
8 somewhere the other day that someone was saying it really
9 was not a problem of process or of procedure but, rather,
10 of personalities and the failure to abide by the process.
11 And it seems to me that if there is any remedy to
12 safeguard against what happened happening again, it is to
13 build into the structure some mechanism that prevents the
14 entire structure from being ignored again.

15 Q Let me ask you some specific questions about
16 that. You mentioned the use of private financiers to
17 obtain the money for this bridge loan. In your opinion,
18 is that a proper way to obtain financing for covert
19 activities?

20 A Absolutely not. I think the involvement of
21 private individuals secretly raising money for the
22 implementation of American foreign policy is a highly
23 dangerous undertaking. It's an invitation to trouble.

24 Q I take it, then, your answers would be the
25 same to the question of whether it was a good idea to

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1 involve private parties such as Secord and Hakim in the
2 operational aspect of the Iran initiative.

3 A Sometimes it is necessary in covert operations
4 to involve private individuals, but when that happens it
5 is done with a number of safeguards built into the
6 system, a number of checks to ensure that those
7 individuals understand the ground rules and that they are
8 carefully monitored, and that they follow the rules.

9 What happened here was the worst of all
10 possible worlds, engaging private individuals without any
11 effective management of what they were doing.

12 Q Perhaps this is an obvious point, but Colonel
13 North testified that he wasn't able to tell how much
14 money was diverted to the contras, how much profit Secord
15 and Hakim were taking on this transaction, or how much
16 money was being set aside for reserves or how much was
17 needed for operational expenses.

18 Is this the kind of thing you are referring to
19 as one of the problems that you see in this initiative?

20 A Sure. As I said, it's just an invitation to
21 trouble.

22 Q What about using Ghorbanifar? Do you think it
23 was a mistake to use someone like Ghorbanifar in this
24 initiative?

25 A Well, again Ghorbanifar himself almost

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1 certainly, but the fact is that in clandestine or covert
2 operations, particularly if you are dealing with arms
3 dealers or you are trying to penetrate or do operations
4 against terrorist organizations or drug trafficking
5 organizations, you can't get inside those kinds of
6 organizations with Boy Scouts, and so sometimes in this
7 business you have to deal with people of highly dubious
8 character.

9 But again it's like the use of any private
10 individual. If it's fully within the system, there are
11 safeguards built in. There are clear understandings of
12 what the rules are, and there are very tight reins held
13 on such people, and if they won't play by our rules, then
14 we don't use them.

15 Q Does the Central Intelligence Agency have the
16 capacity to carry on covert initiatives like the Iran
17 initiative without the use of private parties like Secord
18 and Hakim?

19 A Well, this is a question that I know that
20 Director Webster would like to answer, and I would just
21 say -- and I'm sure he agrees -- that that is certainly
22 the case. We can and do carry out successful covert
23 actions -- and, I might add, with Congressional oversight
24 -- without difficulty.

25 Q I'd ask you to be critical of your own Agency

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1 for a minute and tell me what you think the CIA did wrong
2 in this initiative and what you think needs to be changed
3 within the Agency as a result of what you see went wrong.

4 A Well, the biggest mistake that I think was
5 made at CIA -- there are a number of minor tradecraft and
6 other problems, it seems to me, but the biggest mistake
7 that was made was to acquiesce in participation in an
8 operation in which we were half in and half out, in which
9 others were holding all the reins, in which others had a
10 great deal more knowledge about various aspects -- for
11 example, the financial aspects -- than our officers did.
12 And so we were basically at their mercy in the sense of
13 whether there were any improprieties involved because we
14 didn't have full information on what was going on, the
15 officers that were participating from the Agency.

16 So it seems to me that this acquiescence was a
17 major problem as far as I am concerned. Unfortunately,
18 this case was probably like others in that experience is
19 probably the best teacher, and my guess is that it will
20 be a long time before anybody acquiesces in that kind of
21 thing again.

22 The dangers to the Agency and to the
23 government are quite clear and, quite frankly, I think
24 that under the circumstances, you know it sounds a little
25 bit preachy, but the fact is that in an operation that

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1 had a lot of things wrong with it and some highly
 2 questionable activities, the Agency's performance,
 3 particularly in the Iranian part, basically was carried
 4 out competently and without violating any rules, without
 5 anybody straying across the line in terms of the rules
 6 for us.

7 But, frankly, as far as I'm concerned, it was
 8 a near thing and we were very lucky.

9 Q Charlie Allen, for a time, became in effect a
 10 case officer for Ghorbanifar. In retrospect do you think
 11 it was a mistake to allow a National Intelligence Officer
 12 to become as involved in an operation as Charlie Allen
 13 did in this initiative?

14 A We made a management mistake when the
 15 [REDACTED] was created in double-hatting Mr.
 16 Allen as the National Intelligence Officer for
 17 Counterterrorism and also making him one of the two
 18 deputies [REDACTED] So management
 19 itself created an environment in which he could play a
 20 dual role -- on the one hand doing estimates and analysis
 21 and on the other hand being in a place where legitimately
 22 he might be involved in operational activities.

23 One of the results of that, though, was a
 24 classic situation in which both of his immediate
 25 supervisors half the time thought he was working for the

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1 other guy, so that there was not nearly as tight a
2 management rein by his immediate supervisors on Mr.
3 Allen's activities as would have been the case with
4 somebody else.

5 And, frankly, based on Mr. Allen's testimony
6 that problem was compounded by the fact that Mr. Casey
7 apparently dealt directly with Mr. Allen and authorized
8 him to participate in some of these activities directly.
9 But it is not necessarily a bad thing for an intelligence
10 analyst to move over to the Directorate of Operations and
11 become involved in operational activities. But we should
12 not allow again a situation to develop in which we have
13 somebody trying to do both of those things at the same
14 time.

15 It raises dangers to the integrity of the
16 analysis side of the house, and it also, without adequate
17 supervision on the operational side, runs some of the
18 obvious dangers of somebody getting in over his head.

19 Q I believe it was Mr. Hakim testified that he
20 had to be used as a translator in the Iran arms
21 initiative at some point because there was an absence of
22 CIA officials that were fluent in Farsi.

23 MR. WOODCOCK: That was the Frankfort meeting,
24 February 25, 1986.

25 BY MR. BARBADORO: (Resuming)

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1 Q Is there any truth to that statement, that we
2 had to involve a private citizen as a translator because
3 the CIA didn't have the personnel to do the job?

4 A Well, our halls aren't exactly overflowing
5 with people who speak Farsi, but the fact is if we had an
6 operational activity in which Farsi was required we would
7 have the officers to carry it out.

8 Q It's my understanding that Mr. Cave was in
9 Frankfort at the same time that that meeting where Mr.
10 Hakim acted as translator occurred [REDACTED]

11 [REDACTED] Do you know whether that's true?

12 A I don't know.

13 MR. WOODCOCK: Let me just state for the
14 record, because we recently received information from CIA
15 on this and I've spoken to George Cave on it, George Cave
16 advised me that he believed he was in Frankfort at the
17 time and in any event, had he been given any kind of
18 notice, could have made it to the meeting.

19 We have recently received a letter from John
20 Rizzo's office, and that was based, I think, on checking
21 with [REDACTED] that [REDACTED] was not consulted on the
22 availability of a CIA Farsi speaker and therefore CIA
23 just wasn't asked. There had been representations to the
24 contrary.

25 THE WITNESS: I also happen to believe that if

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1 it were for a high enough priority that we would not have
2 needed to bring back an annuitant either.

3 BY MR. BARBADORO: (Resuming)

4 Q Secretary of State Shultz, in his testimony,
5 recommended a separation between intelligence and policy.
6 What's your feeling on that recommendation?

7 A Well, I think that first of all in principle I
8 cannot disagree with the notion that there has to be a
9 clear separation between intelligence and policy. I will
10 offer my personal opinion, however, that the Secretary
11 allowed his views of Mr. Casey to, in my opinion,
12 influence his overall comments on intelligence as a
13 whole.

14 The fact is that all of the intelligence
15 published by CIA, finished intelligence assessments and
16 analysis published by CIA or National Intelligence
17 Estimates, are provided to the two Intelligence
18 Committees of the Congress. Most of those materials are
19 also provided to the Armed Services Committees, the
20 Appropriations Committees, and the Foreign Relations
21 Committees.

22 So there is an ample number of people even
23 outside the Executive Branch to scrutinize intelligence
24 and point out if they think that it has been skewed.
25 There are a number of safeguards that protect against the

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1 politicization or skewing of intelligence. I may be
2 wrong, but we take a fair amount of pride in trying to be
3 objective.

4 Ironically the charge is often made that where
5 the intelligence is most suspect, where intelligence
6 assessments are most suspect, is in areas where the
7 Agency is running covert operations. The reason I say
8 ironically is because those are probably the areas where
9 we work the hardest to keep them separate and to be
10 objective, precisely because we know that there will be
11 tremendous scrutiny of the analysis on those subjects.

12 That said, it is obviously important to ensure
13 that intelligence assessments do not stray across the
14 line from being descriptive into being prescriptive and
15 recommending policies or pushing policies. And here
16 there is a parallel, it seems to me, with the operational
17 side.

18 There is a document about Iran and terrorism
19 that has attracted a good deal of criticism in this
20 investigation that in effect Iran had backed away from
21 support of terrorism or something like that. That paper,
22 when it was originally issued and created such a stir,
23 was prepared by two or three individuals outside the
24 system, if you will, and as soon as the rest of the
25 institution learned about that paper it was recalled and

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1 redone and reissued.

2 So that when the institution is involved all
3 the safeguards come into play and it doesn't matter
4 whether it's analysis or operations. It's when people
5 try to bypass the system and do things in an ad hoc kind
6 of way that sometimes you can end up with difficulty.

7 MR. BARBADORO: Tom Polgar has discussed this
8 general area with me and, if you don't object, I'd like
9 to give him an opportunity to just ask a couple of
10 questions on this point.

11 MR. POLGAR: I just really have one question.
12 The problem seems to be that after the finished
13 intelligence is completed the Director disregards it and
14 presents something entirely different which indeed is
15 very prescriptive. For example, in December 1985 the
16 Directorate of Intelligence put out a very excellent
17 summary of the situation in Central America -- objective,
18 comprehensive, presumably based on the intelligence
19 available to them.

20 Nine days later the Director gives a briefing
21 to the National Security Council which is totally
22 different both in tone and in direction to that DDI
23 information. And there, it seems to me, is one of those
24 points where criticism can be raised that the policy or
25 an attempt was being made to influence policy. Are you

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1 aware of that particular incident?

2 THE WITNESS: No.

3 MR. POLGAR: I'll get the papers to you.

4 THE WITNESS: I think that the Director of
5 Central Intelligence is always entitled to his own
6 opinion. I recall, for example, that the entire
7 analytical element of CIA in the summer of 1962 was
8 convinced that the Soviet Union would not put missiles in
9 Cuba and Director McCone was convinced that they would.

10 And when he was asked by the President why in
11 the absence of any evidence to that effect, he said
12 because if I were Khrushchev that's what's I'd do. He was
13 right and all the analysts were wrong. So don't discount
14 or constrain the opportunity of a Director of Central
15 Intelligence to offer some view.

16 But, by the same token, I believe that the
17 Director -- and I would add the Deputy Director -- have
18 an obligation when they are offering their own opinion to
19 make clear it is their own opinion and if it disagrees
20 with the general view of the intelligence community or
21 CIA analysts to make that explicit.

22 BY MR. BARBADORO: (Resuming)

23 Q Let me ask you about a different area. Are
24 you satisfied with the way the Inspector General system
25 has worked in this case?

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1 A Well, I know that there's been some concern
2 about the Inspector General's effort and, frankly, I wish
3 that some of the things that they have learned in the
4 late spring they had learned earlier, in January and
5 February.

6 That said, it is, I think, a fact that it was
7 the Agency's Inspector General that developed the story
8 of what had happened [REDACTED]
9 and provided that information both to the Iran-Contra
10 Committees as well as the Independent Counsel. So they
11 developed information that, as I understand it, others
12 had not developed in terms of potential wrongdoing down
13 there. So it's hard to fault their investigative skills
14 in that respect.

15 A larger question is whether the Inspector
16 General, the Office of Inspector General, plays a
17 prominent enough role in the Agency and whether across
18 the board it has the caliber of people that it ought to
19 have. I believe that those are questions that Director
20 Webster will be addressing in the coming months.

21 Q The last area that I wanted to go over is
22 something that Colonel North raised in his testimony. He
23 admitted in his testimony before our Committees that he
24 lied and misled Congress and certain Executive Branch
25 officials and he offered as a justification for his lying

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1 and misleading his concern that the Congress couldn't be
2 trusted, that it would leak, and that those leaks might
3 endanger lives.

4 In your mind, is there ever a justification
5 for Executive Branch officials to lie or mislead the
6 Congress about covert activities?

7 A I do not believe anybody from the Executive
8 Branch should ever lie to the Congress. If there is
9 sensitive information that cannot be shared, if there is
10 an undertaking that cannot be revealed, if it's a public
11 session, you know, perhaps. I don't know.

12 But as a general rule I think that lying to
13 the Congress is just wrong. And I would add there's been
14 a great deal of focus on the way that lying fractured the
15 trust between the Executive Branch and the Legislature.
16 But I would point out that the lying also fractured trust
17 within the Executive Branch and did a great deal of harm.
18 It created tremendous tensions between the Agency and the
19 Department of State. It created tensions within CIA and
20 its people who felt they in the aftermath should have
21 been included and were not, their views sought, and they
22 were not.

23 People in the Agency have had to contemplate
24 that people that they thought were upstanding and honest
25 people whom they trusted both within the Agency and at

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1 the White House lied to them. In some cases one has to
2 contemplate the possibility that people that one trusted
3 a great deal lied.

4 And I've been in the government for over 20
5 years and this episode -- and I worked on the National
6 Security Council staff under three different Presidents,
7 and this is the first time that I've known of in my
8 career that I've ever been lied to, just flat out. Every
9 bureaucrat is familiar with evasions and half-truths and
10 so on, but this is the first time that I have ever been
11 flat-out lied to, and it has a significant effect, and it
12 is true in spades in the relationship between the
13 Executive and the Congress.

14 There are enough areas where those two come
15 into conflict that unless there is some sense of trust
16 then the whole thing is going to collapse because there
17 is no room for compromise or giving the other fellow the
18 benefit of the doubt if there is no trust.

19 MR. WOODCOCK: Mr. Gates, I have just a couple
20 of questions, if I may.

21 BY MR. WOODCOCK:

22 Q When we were off the record you made a
23 reference, I think, to the G. Gordon Liddy rule, which,
24 if I can summarize it and you can tell me if I'm wrong,
25 is a rule that is imposed on the CIA whereby if it

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1 receives a request for assistance from the NSC that
2 assistance is not to be rendered without the approval of
3 either the DCI or the DDCI; is that correct?

4 A It is. Well, first of all, it's an internal
5 Agency regulation, and I think the actual regulation
6 reads "the White House office."

7 Q And you read that to apply to the NSC?

8 A I read that to include the NSC.

9 Q Why is it, then, if you have an understanding
10 of it, that that rule was not either known or observed
11 over the weekend of 11/23/85?

12 A The rule was passed in the aftermath of
13 Watergate. Can we go off the record a second?

14 (A discussion was held off the record.)

15 THE WITNESS: I think that the turnover in the
16 Agency has been so great and people moving up through the
17 ranks rapidly enough I would be willing to wager -- and I
18 have not asked the question, but I would be willing to
19 wager -- that those involved in this enterprise did not
20 even know that rule existed.

21 BY MR. WOODCOCK: (Resuming)

22 Q That brings up the next question. What is it
23 in the process that wouldn't familiarize them with this
24 kind of a rule?

25 A Well, there is, I believe, a regulation that

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1 requires that virtually every Agency employee on an
 2 annual basis or every 18 months read [REDACTED] which is
 3 the kind of set of by-laws. They extend far beyond this.
 4 It involves a number of things. It's basically the set
 5 of rules that engage the Agency, and, frankly, I think
 6 that has become something that has been done by rote in
 7 the sense that people sign off and say that they've read
 8 them and perhaps they haven't or they just don't do it.

9 One of the things that I've taken out of this
 10 whole thing, and particularly with reference to this
 11 particular episode, is that we are in the process of
 12 revising [REDACTED] It's been several years since it's
 13 been updated and when that's done my notion is to give a
 14 copy of it to every manager in the building and every
 15 training course would provide another copy to make it
 16 something that is just kind of right on the desk and
 17 something that is continually brought to people's
 18 attention.

19 We're also trying to write it in English so
 20 that it's not so difficult to pore through.

21 Q We wish you luck in that endeavor. The other
 22 question that I have also arises out of some discussion
 23 that we had off the record, or at least at break time.
 24 And it corresponds to testimony that you gave before the
 25 Tower Board. Let me just read this portion of the Tower

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1 Board testimony to you.

2 You are speaking and the context is a question
3 about the November '85 flight and whether a Finding was
4 required, and you are saying that the understanding is
5 that John -- meaning John McMahon -- had attended a
6 meeting with McFarlane in mid-November at which McFarlane
7 had laid out some of the aspects of this transaction with
8 the Iranians. Therefore, when John learned that the
9 flight had taken place on Monday, the 25th, it was based
10 on his knowledge from mid-November that he believed that
11 a Finding was required.

12 First let me ask you if you agree with that.

13 A Yeah, that's my general recollection.

14 Q How what I wanted to ask you is on what was
15 your understanding based that John McMahon had linked
16 these two events, the briefing from McFarlane and the
17 subsequent flight?

18 A Just in reading the documents as the
19 investigations proceeded and as the Inspector General's
20 chronology and so on, seeing that John had participated
21 in the earlier meeting where the larger aspects of the
22 Iran affair were discussed led me to the supposition. I
23 have not discussed it directly with John, but I made that
24 supposition that that was one of the reasons that he knew
25 that it was something other than Red Cross kits.

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1 Q I see, but he never confirmed that to you one
2 way or the other?

3 A No.

4 Q And then the last question I guess is
5 something of a philosophical question, and that is you
6 referred to one of the criticisms that you have of the
7 Agency and its involvement in the Iranian initiative was
8 that it acquiesced in NSC leadership and didn't assert
9 itself enough in overseeing the operation once it was
10 involved.

11 To what do you attribute that acquiescence?
12 How did it happen?

13 A Well, I think that foremost responsibility for
14 that would have to be laid at the Director's doorstep.
15 If there would have been any individual who was aware of
16 what was going on and would have asserted both the
17 advisability as well as the bureaucratic responsibility
18 in those sessions, it would have been the Director.

19 Q Failing that and going down the line, taking,
20 for example, Clair George, head of DO?

21 A My own view is that while the Director has the
22 responsibility ultimately I guess that I would say that
23 the whole chain of command back in the fall of 1985, when
24 this thing got under way, should have pressed harder for
25 the Agency to be either all the way in or all the way

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1 out.

2 Q Do you have a feel for why it is that the
3 whole chain of command failed in that way?

4 A I really don't. I just don't know.

5 MR. BARBADORO: Thank you very much, Mr.
6 Gates.

7 MS. DORNAN: Do we have time for one or two
8 more?

9 BY MS. DORNAN:

10 Q I wanted to ask you in retrospect about the
11 quality of U.S. intelligence on Iran and to what extent
12 you felt failures in intelligence helped along this
13 process.

14 A I think that's a bad rap. I think the
15 intelligence was good. The problem is, the intelligence
16 was ignored. The Directorate of Intelligence turned out
17 a series of first-rate assessments of internal Iranian
18 politics in both 1985 and 1986, and the fact is that some
19 of the people involved in this preferred to believe the
20 intelligence they were being given by a foreign
21 government rather than that of their own intelligence
22 service -- at least that's my opinion.

23 Q Some of them have testified that the DCI
24 himself said that our intelligence on Iran was not very
25 good, that he didn't feel we had enough sources to be

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1 sure of our analysis. Your opinion simply differs from
2 that?

3 A I believe that in terms of the overall
4 assessment of factionalism within the Iranian government
5 that we had a pretty accurate appraisal of what was going
6 on at the time, and that appraisal specifically
7 indicated, for example, that on internal political
8 matters, on internal matters there was indeed a
9 moderate/pragmatic faction. But that applied only to the
10 management of the economy and the degree to which the
11 mullahs ought to be in charge.

12 And with respect to the war policy that
13 intelligence made very clear that there were no moderates
14 in Iran when it came to the United States.

15 Q My second question then is it seemed clear to
16 me when I was doing interviews out at the Agency -- and
17 this may not be on depositions, but it was in the
18 interviews -- that people at the lower level in the DO
19 who originally were very skeptical about this,
20 particularly when Ghorbanifar was involved, became
21 believers by July, August, September, and actually felt
22 we were getting someplace with the strategic opening at
23 that point.

24 They actually did support the Administration's
25 initiative and they felt that one of the worst things

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1 that had happened was that when we needed the influence
2 we no longer had it because of this big domestic row we
3 were having. Is that your view of the Agency's analysts
4 views also, or do you think that's incorrect?

5 A I think just based on my brief conversations
6 with some Agency analysis^{is} several months ago my
7 impression is that their view was that the policy was
8 based on a false premise, that there were moderates in
9 the Iran that in the factional struggle were genuinely
10 interested in an opening to the United States.

11 I think it is their view that this was not the
12 case, that those with whom the United States was dealing
13 were interested primarily in a means of obtaining arms
14 and basically just suckered us.

15 Q Is there any difference between DO and DI in
16 this regard?

17 A Well, I haven't talked to the lower level
18 people in the DO, so I don't really know.

19 Q That was really where I got this analysis.

20 A I haven't talked to them, so I really can't
21 speak to it.

22 BY MR. BARBADORO: (Resuming)

23 Q Let me follow up on one point that was raised
24 about ignoring CIA intelligence. Let me mark this as
25 Exhibit 5.

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1 (The document referred to was
 2 marked Gates Exhibit Number 5
 3 for identification.)

4 This is the January 17, 1986, memorandum to
 5 the President from John Poindexter that was used to brief
 6 him in preparation for signing the covert action Finding
 7 on Iran. There are two points in here I just wanted to
 8 get your opinion on. There's a statement in here saying:
 9 "The Israelis are very concerned that Iran's
 10 deteriorating position in the war with Iraq, the
 11 potential for further radicalization in Iran, and the
 12 possibility of enhanced Soviet influence in the Gulf all
 13 pose significant threats to the security of Israel."

14 I want to ask you a question about that first
 15 statement. Was it the position of the Central
 16 Intelligence Agency in January of '86 that Iran's
 17 position in the war with Iraq was deteriorating?

18 A Not at all. In fact, I think that our view at
 19 the time was that that approach was a crock, that in fact
 20 in 1986 we were worried about steady Iranian gains and
 21 what appeared to be both Iraqi military problems and
 22 declining Iraqi morale. That was one of the reasons why
 23 we were so opposed to providing the Iranians with
 24 intelligence.

25 In our view, the intelligence was more

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1 dangerous than the weapons because we felt that, you
 2 know, there was the back and forth of battle, but overall
 3 over the last several years, last three years, say, there
 4 has been a slow but steady forward movement by the
 5 Iranians that was interrupted for only a brief period,
 6 for about three or four months, in the fall of 1986 by a
 7 successful Iraqi air campaign.

8 Q The second statement I wanted to ask you about
 9 in the memorandum refers to moderates. It says: "The
 10 Israeli plan is premised on the assumption that moderate
 11 elements in Iran can come to power if these factions
 12 demonstrate their credibility in defending Iran against
 13 Iraq and deterring Soviet intervention."

14 Do I understand you correctly that you believe
 15 it is misleading to refer to these elements in Iran as
 16 moderate elements?

17 A Yes, with respect to the United States.

18 Q Would you agree, then --

19 A It's not misleading. It's wrong.

20 Q Would you agree, then, that these two
 21 statements, to the extent the President relied on them in
 22 signing the covert action Finding on Iran, was relying on
 23 information that was incorrect?

24 A Well, it may well be correct that that was the
 25 Israeli view. That was not our view of the situation.

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1 To the degree that a proposal was being put before the
 2 President, the views of the Central Intelligence Agency
 3 on internal developments in Iran were not reflected.

4 MR. BARBADORO: Thank you, Mr. Gates.

5 MR. WOODCOCK: I've just got one final one, I
 6 promise.

7 BY MR. WOODCOCK: (Resuming)

8 Q There is a PROF note in the Tower report from
 9 North where he refers to the last exchange of
 10 intelligence that he gave to the Iranians in October of
 11 '86. And he describes it as a mixture of factual and
 12 bogus intelligence. Are you aware of any faked
 13 intelligence being passed over to the Iranians?

14 A Well, what we tried to do from the beginning,
 15 when I was really more directly involved with the
 16 passages through May, I guess, and really never saw the
 17 later ones, what we tried to do was -- well, after we
 18 were overruled and had to prepare the stuff, we tried to
 19 generalize it to the point that it would minimize its
 20 value to the Iranians, except for the materials on [REDACTED]

21 [REDACTED]
 22 [REDACTED] and so on, that was
 23 pretty accurate information.

24 My understanding is that a good deal more
 25 specific information was requested and made available in

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1 October of 1986. I have not thoroughly investigated it,
 2 so this is just an impression. My sense is that the
 3 analysts who prepared it thought that while they tried to
 4 generalize it that it was accurate, but I have heard the
 5 opinion expressed that some of the information may have
 6 been altered subsequent to that, to when it left the
 7 analysts' hands, and I've never been able really to run
 8 that to ground. But I have heard that.

9 So I don't really know the answer to the
 10 question, but that's what I've heard.

11 Q And what you've heard, does it suggest whether
 12 that later alteration, if it occurred, was done within
 13 CIA or somewhere else?

14 A I don't know whether it was done within the
 15 Directorate of Operations or at the NSC, but again in an
 16 effort, I think, to try and limit the value of the
 17 information.

18 MR. RIZZO: Before we break up, let me just
 19 make a request. As you know, Mr. Gates is going away for
 20 three weeks. I would request that there be no steps
 21 taken to cause a declassification of his deposition.

22 MR. BARBADORO: We wouldn't release it until
 23 we give him an opportunity to review what we are
 24 releasing.

25 Thank you, that's all I have.

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1 (Whereupon, at 4:21 p.m., the taking of the
 2 instant deposition ceased.)

3

4

 Signature of the Witness

5

Subscribed and sworn to before me this _____ day of

6

_____, 1987.

7

8

 Notary Public

9

My Commission Expires: _____

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CERTIFICATE OF REPORTER

I, MICHAL ANN SCHAFER, the officer before whom the foregoing deposition was taken, to hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn by me; that the testimony of said witness was taken by me to the best of my ability and thereafter reduced to typewriting under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken, and further that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

Michal Ann Schaffer

Notary Public

in and for the District of Columbia

My Commission Expires: February 28, 1990

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14 Oct 86

81-468A
01THE DIRECTOR OF
CENTRAL INTELLIGENCE

National Intelligence Council

14 October 1986

DCI

Attached is a memorandum on problems that I see with our initiative towards Iran. Also included are a number of recommendations that I believe should be implemented to prevent this initiative from floundering. I have not consulted with other individuals involved on the US side, nor have I discussed it with Ollie. If you require further background, please let me know.

Charles E. Allen
NTO/CT

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Partial Declassification/Partial Release on
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by the Director, National Intelligence Council

1 0187

THE DIRECTOR OF
CENTRAL INTELLIGENCE

National Intelligence Council

14 October 1986

DCI

Attached is a memorandum on problems that I see with our initiative towards Iran. Also included are a number of recommendations that I believe should be implemented to prevent this initiative from floundering. I have not consulted with other individuals involved on the US side, nor have I discussed it with Ollie. If you require further background, please let me know.

Charles E. Allen
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Objectives of the Program:

- In the short term to resolve the American hostage problem in Lebanon, through the offices of Iran, to include
 - return of all presently held American hostages, and
 - cessation of hostage-taking;
 - and to accomplish this without jeopardizing our public policy of non-negotiation with terrorists and hostage-takers.
- In the longer term to establish contacts within the Iranian Government that might test the possibility of:
 - bringing about a change in the regime in Iran (or its attitudes), thereby
 - establishing gradually a rapprochement between the United States and Iran.
- Ultimate, Strategic Objectives remain an alliance which provides:
 - containment of the Soviet Union on a crucial flank and preventing their move toward the middle east;
 - counterweight to Arab themes in the Middle East;

Problems with the Program:

For over a year the US Government -- using private and Israeli intermediaries -- has tried to resolve the hostage crisis by treating with Iranian officials; the long-term goal of eventually restoring a strategic relationship has remained in the background. The principal intermediary has been Ghorbanifar, and the principal official has been

In return for the shipment of American arms to Iran, the release of two American hostages was achieved.

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1 0189

Because the Ghorbanifar [redacted] channel, was viewed as slow and unreliable, the White House -- encouraged by Secord and Hakim -- has turned to a new channel. The new channel (C) involves an individual purporting [redacted] direct contact to Rafsanjani, Speaker of the Majlis and second most powerful man in Iran.

- The [redacted] is accepted as genuine -- although his influence with [redacted] and his delegated authority are less clear. [redacted]
[redacted]

There have been two covert meetings with [redacted] one here and one in Europe. Another meeting is scheduled for the first week in November.

- While the tone of the meetings has been generally positive, the bargaining has been tough and the negotiations difficult; closure remains elusive.

A problem that now confronts us is the disposition of the first channel, from Ghorbanifar to [redacted]. This first channel has never been shut down in a way that would limit the damage to the overall initiative. Specifically, Ghorbanifar claims he was never compensated for some of the arms shipped to Iran, arms for which he arranged the financing.

- Ghorbanifar and his creditors, including Adnan Khashoggi, appear determined to recoup their "losses", even at the risk of exposing US covert arms shipments in exchange for release of our hostages.

We have a festering sore for which no treatment has been prescribed. [redacted] has demanded that the Ghorbanifar-channel be shut down. Indeed, [redacted] claims [redacted] already to have coopted [redacted]

- [redacted] stated that he, and ostensibly Rafsanjani, had approved of the way [redacted] had proceeded heretofore. Notwithstanding, [redacted] has spoken of "eliminating" [redacted] sometime in the future.

Ghorbanifar appears to be harassed by his creditors, some of whom already have brought the problem to the attention of the DCI and Senators Leahy, Cranston, and Moynihan.

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- Ghorbanifar claims to have secreted, for "insurance purposes", documentation of events which have transpired so far. 1 0190

Given this, the major elements of this initiative are likely to be exposed soon unless remedial action is taken. There is no indication that the White House has a plan to prevent the exposure or a plan to deal with the potential exposure.

The Ghorbanifar [REDACTED] channel must be shut down in a way that contains potential damage to the United States.

Background:

When the initiative began, National Security Advisor MacFarlane wanted to establish a channel to factions within the Iranian Government with which the United States might eventually deal, and which might secure incidentally the release of the American hostages in Lebanon.

Israeli officials like David Kimke put the White House in contact with Ghorbanifar. Working with Jacob Nimrodi and other Israeli entrepreneurs, Ghorbanifar introduced US intermediaries like Michael Ledeen to key Iranian officials including [REDACTED]. Ghorbanifar also established a direct link to [REDACTED] Prime Minister's Office. A series of meetings ensued with negotiations sometimes appearing highly positive, sometimes near-disastrous.

- One hostage was released in September, 1985, as a result of this channel.
- A breakdown occurred in Geneva, in late November 1985, when the Iranians accused the other side of knowingly delivering the wrong version of Hawk missiles to Tehran -- an accusation we believe and for which we blame Nimrodi, if not Ghorbanifar.

Progress appeared dramatic in May 1986 when a US delegation led by MacFarlane secretly visited Tehran. The results, however, were disappointing. The Iranians were not prepared to deal directly with so high level a delegation. Still, another hostage was released subsequently, in late July.

Another channel, potentially more promising, was just then opening up through private efforts by Albert Hakim and Dick Seccord. Through a London representative of the Iranian Government, [REDACTED] a meeting was held in late August in

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Brussels with [REDACTED]

[REDACTED] this, in turn, led to two meetings between the [REDACTED] and US officials, one meeting in Washington, the other in Frankfurt.

Ghorbanifar's Alleged Financial Straits:

1 0191

The Ghorbanifar-[REDACTED] channel is technically "on hold." Clearly, however, it is being supplanted by the Hakim-[REDACTED] channel -- a fact reportedly known by [REDACTED] and presumably by Ghorbanifar.

The arms transactions in which Ghorbanifar and [REDACTED] figured required that Ghorbanifar provide the financing. The US required money in advance of any arms delivery while Tehran, previously burned by other would-be arms providers, demanded shipment before payment. Thus, it fell to middle-man Ghorbanifar to arrange the financing.

Ghorbanifar, working with Adnan Khashoggi, got some Canadian investors to lend \$15 million to finance the shipment of Hawk spare parts to Iran. Khashoggi put up collateral to cover at least part of this loan. The interest on the \$15M, repayable in 30 days, was 20%. Ghorbanifar, then, would have to pay a minimum of \$18M. These financial arrangements were made at the end of April -- before MacFarlane's visit to Tehran.

Since the loan was agreed to, Ghorbanifar claims to have been paid only \$8M. He agrees that he received \$4M at the end of July following the release of Father Jenco. He claims, without proof, that only \$3M can be applied to repayment of the loan, the other \$1M being related to a separate transaction with [REDACTED]. Ghorbanifar admits to receiving \$5M two or three weeks later, but that no additional funds have been forthcoming.

- He states he has been able to repay about \$8M to his creditors, including \$6M to one financier -- of which \$1M was interest.
- He states, too, that he paid other financiers \$2M for interest charged.

Ghorbanifar asserts that he now has a \$10-\$11 million shortfall that he cannot meet. The creditors are becoming angry and have demanded additional interest because the principal is overdue. Ghorbanifar claims to be under tremendous pressure and feels financially discredited.

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- Ghorbanifar's financial situation is murky, indeed. [REDACTED] has claimed that he paid Ghorbanifar an additional \$8M in cash, an assertion that cannot be validated.

Regardless of who is cheating whom -- and we are not likely to be able to sort out these confused finances -- we face a situation where operational security has been forgotten and no one is prepared to deal with the issue.

I 0192

Rapprochement with Iran:

The broader, strategic objective has become subordinated to the tactical matter of the American hostages in Lebanon. Notwithstanding, we have obtained useful insights into the factious government of Iran.

- [REDACTED] for example, has focussed on long-term US economic investment in Iran, in addition to arms supply.

We have not yet developed a viable plan of action to utilize this information. Talk about geo-strategic relations is cheap and easy; hard options on how to accomplish this are harder to come by.

The Ghorbanifar [REDACTED] Channel:

X | Ghorbanifar is depressed and claims his financial situation has been damaged. On several occasions, he has said he would not sit idly by and permit himself to be made the "fall guy" in this matter. He claims to have given written accounts of all that has transpired to several persons in America and Europe. He has directed these individuals to make this material available to the press in the event that "something bad" befalls him. We believe this account would include statements to the effect that:

- the Government of the United States sold military materiel to the Government of Iran in order to gain the release of American hostages in Lebanon;
- a high-ranking US delegation met in Tehran with representatives of the Iranian government in order to discuss the future relations between the two countries, with various cooperative ventures discussed;

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- 0+?
- the US Government made several promises to him (Ghorbanifar) that it failed to keep; and,
 - the Government of the United States, along with the Government of Israel, acquired a substantial profit from these transactions, some of which profit was redistributed to other projects of the US and of Israel.

There is also likely to be material alleging poor judgement and shabby conduct by individuals of the US and Israeli governments.

1 0193

Recommendations:

We face a disaster of major proportions in our efforts with Iran despite the apparent promise of the Hakim- channel. Too many know too much, and exposure, at a minimum, would damage the new channel badly, perhaps fatally.

- Rafsanjani cannot permit himself to be seen as dealing directly with the "Great Satan".

For such a... the... is not impossible.

- It is clear from... s comments that he does not have total control over the Lebanese Shia holding the American hostages.

Because the risk of exposure is growing daily, the following actions are recommended:

(A) Establish a Senior-Level Planning Cell at the White House to focus on the potential for rapprochement with Iran, the appropriate channels to be used, and the separation of the tactical hostage issue from the long-term strategic objective.

This group could consist of two or three experts and should be headed by someone with the stature of a Henry Kissinger, a Hal Saunders, a Don Rumsfeld, or a Dick Helms.

The group should have access to all data concerning the ongoing initiative(s), including White House records

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UNCLASSIFIED**(B) Develop Press Guidance in the Event of an Exposure.**

We have no coordinated press guidance on how to deal with the Iranian initiative should it be exposed publicly. Press guidance must be prepared now. At least one, possibly two major US journalists have bits and pieces of the hostage story and know that Ghorbanifar was involved in it.

- The Israelis have exposed some of this.
- Khashoggi and the Canadian financiers are complaining to influential US individuals.

We could soon have an incredible mess on our hands and damage limitation must be addressed now in an orderly, systematic manner.

1 0194

(C) Effect of [redacted] Orderly, Damage-limiting Shutdown of the Ghorbanifar [redacted] Channel. It is unlikely we could totally discredit any revelations by Ghorbanifar; he has too much documentary evidence that implicates US officials.

- Hakim has suggested that [redacted] be forced to [redacted] Ghorbanifar.
- Perhaps we can engage Ghorbanifar otherwise, in non-hostage-related projects -- say, in the area of Iranian, Libyan, and Syrian sponsored terrorism.

A small working group of those knowledgeable of the Ghorbanifar [redacted] channel should meet to consider how to cope with this problem. Clearly, there are some personal things that can be done for Ghorbanifar, for example:

- Arrange permanent alien residency for his girl friend in California.
- Arrange for visas for his family so they can visit relations in the United States, and so his mother can obtain medical treatment here.

These steps will not alleviate Ghorbanifar's financial problems -- regardless of their merit -- but may dispose him more kindly to the US Government and lessen his inclination to expose the Iranian initiative.

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*Date: Exhibit #2**10 Oct 86 86-4068A***UNCLASSIFIED**

EYES ONLY

10 October 1986

1 0276

MEMORANDUM FOR THE RECORD

SUBJECT: Lunch with Ollie North

1. The DCI and I had lunch with Ollie North on 9 October to receive a debriefing on his meetings in Frankfurt. During the course of the lunch, North confirmed to the DCI and to me that, based on his knowledge of the private funding efforts for the Contras, CIA is completely clear on the question of any contact with those organizing the funding and the operation. He affirmed that a clear separation had been maintained between the private efforts and all CIA assets and individuals, including proprietaries. (TS)

2. During the course of the meeting, I urged the DCI to insist on getting a copy of the Iran Finding from John Poindexter. (TS)


 Robert M. Gates

Deputy Director of Central Intelligence

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Declassified by

29 June 1987

EO 12958

by Council

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under provisions of E.O. 12356
by K. Johnson, National Security Council

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16 November 1986

MEMORANDUM FOR: Deputy Director of Central Intelligence
FROM: Director of Central Intelligence
SUBJECT: SSCI and HPSCI Hearings re Iran

Koten
Ex # 3
11/31/87 mda

1. I have tentatively arranged to leave [redacted] Thursday, returning to Washington at midnight on Thursday.
2. Charlie Allen is going to do a baseline paper on Iranian terrorism and (another on the factions in Iran) CT C
3. I need an analysis of the law on disclosures to the Congress. Leahy was sort of helpful on the Brinkley show today making it clear that there is an alternative. There was talk about three options. I see only two explicit options. The third option arises from the President's constitutional power. I need a review of how this was argued for a long time and finally resolved, and the language which would justify the President's use of constitutional power to act on his own and also give the Congress something to talk about in insisting on notice. OG
4. It is understood that this Finding existed. Someone ought to get Stan Sporkin's recollection of the advice he gave the NSC with respect to the Finding. OGC
5. I will need also up to date information on our judgement of Syrian and Libyan support of terrorism. I will need a good up to date account of the evidence that there were Iranians acting in good faith, ongoing contacts, the availability of the T-72, all, of course, subject to security concerns. CTC
6. I will need a report on the staff briefings that will have taken place by Friday and the questions that have been asked.
7. Last, somebody should come down [redacted] with all of this information, brief me and give me time to digest it. Send word as to the time of the hearing as soon as that has been determined. I gather there will probably be a hearing in each house on Friday. Take any opportunity to extend the time but I will plan to be there Friday absence any word to the contrary.
8. Get transcripts of Meet the Press (Poindexter), Dave Brinkley, and Face the Nation (Shultz, I believe) talk shows today and send them to me as soon as practicable.
9. I will need to get up to date on details of what is happening in Teheran and in Lebanon [redacted]

REVIEWED FOR RELEASE
Date 080487

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NO DATE
GATES EX. #4

SUBJECT: CIA-Airline Involvement

In late November 1985, a CIA proprietary airline was chartered to carry cargo to Iran at the NSC's request. The cargo was described to us as oil drilling spare parts. Although we did not know it at the time, the cargo was actually 18 Hawk missiles. The chronology of the incident is as follows:

On 22 November 1985, the NSC contacted the Agency with an urgent request for the name of a discreet, reliable airline that could transport bulky oil-drilling parts to an unspecified destination in the Middle East.

We offered the name of the CIA's proprietary airline as a company which could handle the NSC request. The NSC passed the name of our airline to ~~their intermediary with the Iranians~~ *the Israelis*.

In the interim, we contacted our airline and told them that they would be receiving an urgent, legitimate charter request. The NSC intermediary contacted the airline that evening (22 November) and made arrangements for the airline to pick-up the parts in [redacted] *operated by the propeller*

The destination was changed to Tel Aviv and two of our ~~airline's~~ Boeing 707's arrived in Tel Aviv 23 November. The cargo was ultimately loaded onto only one of the aircraft. Loading was completed by 24 November and the aircraft proceeded to Iran via a stop at [redacted] and then overflying [redacted]. At the NSC's request, and for the protection of our aircraft, we helped arrange for the overflight clearances.

To the best of our knowledge, ~~neither~~ *neither Israelis nor the Iranians know* the intermediary did not know that they were dealing with a CIA proprietary, nor did airline personnel know what they were carrying. ~~We at CIA did not find out that our airline had hauled Hawk missiles into Iran until mid-January when we were told by the Iranians.~~

The airline was paid ~~by the Israelis~~ the normal commercial rate which amounted to approximately \$127,700. I should stress that the airline does a considerable amount of normal business in addition to its support to CIA. It had, in fact, made another ~~legitimate~~ *unrelated* flight into Tehran carrying commercial items prior to the 22-25 November incident.

~~November~~ Senior CIA management found out about the flight on 25 February. Although we did not know the nature of the cargo, we thought that any future support of this type to the NSC would require a finding.

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by B. Reger, National Security Council

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17 JAN 86

Date Exhibit 5

Regan Exhibit #3
3/3/87

aphorism

~~TOP SECRET~~THE WHITE HOUSE
WASHINGTON

N 10046

~~TOP SECRET~~

January 17, 1986

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN M. POINDEXTER *JP*

SUBJECT: Covert Action Finding Regarding Iran

Prime Minister Peres of Israel secretly dispatched his special advisor on terrorism with instructions to propose a plan by which Israel, with limited assistance from the U.S., can create conditions to help bring about a more moderate government in Iran. The Israelis are very concerned that Iran's deteriorating position in the war with Iraq, the potential for further radicalization in Iran, and the possibility of enhanced Soviet influence in the Gulf all pose significant threats to the security of Israel. They believe it is essential that they act to at least preserve a balance of power in the region.

The Israeli plan is premised on the assumption that moderate elements in Iran can come to power if these factions demonstrate their credibility in defending Iran against Iraq and in deterring Soviet intervention. To achieve the strategic goal of a more moderate Iranian government, the Israelis are prepared to unilaterally commence selling military materiel to Western-oriented Iranian factions. It is their belief that by so doing they can achieve a heretofore unobtainable penetration of the Iranian governing hierarchy. The Israelis are convinced that the Iranians are so desperate for military materiel, expertise and intelligence that the provision of these resources will result in favorable long-term changes in personnel and attitudes within the Iranian government. Further, once the exchange relationship has commenced, a dependency would be established on those who are providing the requisite resources, thus allowing the provider(s) to coercively influence near-term events. Such an outcome is consistent with our policy objectives and would present significant advantages for U.S. national interests. As described by the Prime Minister's emissary, the only requirement the Israelis have is an assurance that they will be allowed to purchase U.S. replenishments for the stocks that they sell to Iran. We have researched the legal problems of Israel's selling U.S. manufactured arms to Iran. Because of the requirement in U.S. law for recipients of U.S. arms to notify the U.S. government of transfers to third countries, I do not recommend that you agree with the specific details of the Israeli plan. However, there is another possibility. Some time ago Attorney

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Declassify on: OADR

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by S. Reger, National Security Council

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General William French Smith determined that under an appropriate finding you could authorize the CIA to sell arms to countries outside of the provisions of the laws and reporting requirements for foreign military sales. The objectives of the Israeli plan could be met if the CIA, using an authorized agent as necessary, purchased arms from the Department of Defense under the Economy Act and then transferred them to Iran directly after receiving appropriate payment from Iran.

The Covert Action Finding attached at Tab A provides the latitude for the transactions indicated above to proceed. The Iranians have indicated an immediate requirement for 4,000 basic TOW weapons for use in the launchers they already hold.

The Israeli's are also sensitive to a strong U.S. desire to free our Beirut hostages and have insisted that the Iranians demonstrate both influence and good intent by an early release of the five Americans. Both sides have agreed that the hostages will be immediately released upon commencement of this action. Prime Minister Peres had his emissary pointedly note that they well understand our position on not making concessions to terrorists. They also point out, however, that terrorist groups, movements, and organizations are significantly easier to influence through governments than they are by direct approach. In that we have been unable to exercise any suasion over Hizballah during the course of nearly two years of kidnappings, this approach through the government of Iran may well be our only way to achieve the release of the Americans held in Beirut. It must again be noted that since this dialogue with the Iranians began in September, Reverend Weir has been released and there have been no Shia terrorist attacks against American or Israeli persons, property, or interests.

Therefore it is proposed that Israel make the necessary arrangements for the sale of 4000 TOW weapons to Iran. Sufficient funds to cover the sale would be transferred to an agent of the CIA. The CIA would then purchase the weapons from the Department of Defense and deliver the weapons to Iran through the agent. If all of the hostages are not released after the first shipment of 1000 weapons, further transfers would cease.

On the other hand, since hostage release is in some respects a byproduct of a larger effort to develop ties to potentially moderate forces in Iran, you may wish to redirect such transfers to other groups within the government at a later time.

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A. 10047A

The Israelis have asked for our urgent response to this proposal so that they can plan accordingly. They note that conditions inside both Iran and Lebanon are highly volatile. The Israelis are cognizant that this entire operation will be terminated if the Iranians abandon their goal of moderating their government or allow further acts of terrorism. You have discussed the general outlines of the Israeli plan with Secretaries Shultz and Weinberger, Attorney General Meese and Director Casey. The Secretaries do not recommend you proceed with this plan. Attorney General Meese and Director Casey believe the short-term and long-term objectives of the plan warrant the policy risks involved and recommend you approve the attached Finding. Because of the extreme sensitivity of this project, it is recommended that you exercise your statutory prerogative to withhold notification of the Finding to the Congressional oversight committees until such time that you deem it to be appropriate.

Recommendation

OK NO

RB — That you sign the attached Finding.
 JR

Prepared by:
 Oliver L. North

Attachment
 Tab A - Covert Action Finding

1000 17 Jan 86

President was briefed verbally from this paper.
 VP, Don Regan and Don Fortin were present.

JR

~~TOP SECRET~~

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ASIC-00378

TRANSCRIPT OF PROCEEDINGS

CONFIDENTIAL

UNITED STATES SENATE

SELECT COMMITTEE ON

SECRET MILITARY ASSISTANCE TO

IRAN AND THE NICARAGUAN OPPOSITION

~~CONFIDENTIAL~~DEPOSITION OF ANNE GLANZ

CONFIDENTIAL

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Washington, D. C.

Thursday, April 2, 1987

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by D. Sirko, National Security Council

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UNITED STATES SENATE

SELECT COMMITTEE ON

SECRET MILITARY ASSISTANCE TO

IRAN AND THE NICARAGUAN OPPOSITION

DEPOSITION OF ANNE GLANZ

Washington, D.C.

Thursday, April 2, 1987

Deposition of ANNE GLANZ, called for examination pursuant to notice of deposition, at the offices of the Select Committee, Room 901, Hart Senate Office Building, at 4:35 p.m., before GARY S. HOWARD, a Notary Public within and for the District of Columbia, when were present:

THOMAS FRYMAN, Esq.

Associate Counsel

United States House of Representatives Select

Committee to Investigate Covert Arms

Transactions with Iran

KEN BUCK, Esq.

House Select Committee

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JAMES E. KAPLAN, Esq.

2

United States Senate Select Committee on

3

Secret Military Assistance to Iran and the

4

Nicaraguan Opposition

5

Room 901, Hart Senate Office Building

6

Washington, D.C.

7

On behalf of Ms. Glanz:

8

DUNCAN E. OSBORNE, Esq.

9

Graves, Dougherty, Hearon & Moody

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2300 Interfirst Tower

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Austin, Texas 78701

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C-O-N-T-E-N-T-S

2

WITNESS

EXAMINATION

3

Anne Glanz

4

by Mr. Fryman

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5

by Mr. Buck

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E-X-H-I-B-I-T-S

7

GLANZ DEPOSITION NUMBER

IDENTIFIED

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EXHIBIT 1

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P-R-O-C-E-E-D-I-N-G-S

2 Whereupon,

3 ANNE GLANZ

4 was called as a witness and, having been first duly sworn,
5 was examined and testified as follows:

6 EXAMINATION

7 BY MR. FRYMAN:

8 Q Ms. Glanz, would you state your full name for the
9 record, please?

10 A Anne Sparks Glanz.

11 Q And where are you employed?

12 A At Interfirst Bank, Austin, in the Trust Division.

13 Q And what is your exact title?

14 A Senior vice president.

15 Q For the record, Mrs. Glanz, prior to the
16 commencement of this deposition, you were served with a
17 subpoena calling for your appearance before the House
18 Select Committee, and also a second subpoena calling for
19 your appearance from the Senate Select Committee.

20 Is that correct?

21 A Correct.

22 Q And you've also been provided with copies of the

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Juryhoward 1 House rules and the resolution establishing the House
2 Select Committee and the comparable documents for the
3 Senate Committee.

4 Is that correct?

5 A I have.

6 Q Are you represented by counsel here today, Ms.
7 Glanz?

8 A Yes, I am.

9 Q And is your counsel Mr. Osborne?

10 A My counsel is Mr. Osborne.

11 MR. FRYMAN: I would ask the Reporter to mark this
12 group of documents as Glanz Deposition Exhibit 1 for
13 identification.

14 THE COURT REPORTER: Glanz 1.

15 (The documents referred to were marked
16 for identification as Glanz
17 Deposition Exhibit No. 1.)

18 BY MR. FRYMAN:

19 Q Ms. Glanz, I show you Glanz Deposition Exhibit 1
20 for identification. I ask you to look at those documents.

21 (Pause.)

22 Now that is the group of documents that you and

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garyhoward 1 your counsel produced today in response to the House and
2 Senate subpoenas, is it not?

3 A That's right.

4 Q Now would you review the attachment to the House
5 subpoena, and I'll represent to you that the attachment to
6 the Senate subpoena is the same in terms of the documents
7 that it calls for.

8 And would you identify any categories of documents
9 that might be called for in that subpoena which you have
10 not produced, or you have not caused a search of the bank
11 files to be made to locate any documents of that type?

12 A Well, the only ones that I saw were -- there's
13 nothing new here that I have not searched for.

14 Q To what are you referring now?

15 A To the first schedule, this group (indicating).

16 Q You're referring to paragraphs 1(a) --

17 A 1(a) --

18 Q (b) --

19 A (b), (c), (d). Let me just get the groups to be
20 sure.

21 (Pause.)

22 I'm pretty certain that I have not seen these

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garyhoward 1 names. But I have seen so many organization names of a
2 similar type. Anything that has "defense" in it or that
3 has --

4 Q Well, just to clarify the record, Mrs. Glanz, what
5 specifically are you referring to?

6 A Well, I was looking at the Council for Democracy
7 Education. I don't believe I've ever seen anything from
8 that organization. But there are certain councils,
9 National Council for Defense, and others, that I have.

10 Q Well, just, again, to clarify the record, focusing
11 on paragraph 1(a) of the schedule, have all documents in
12 response to that paragraph been produced?

13 A Yes.

14 Q And paragraph 1(b), have all documents in response
15 been produced?

16 A Yes.

17 Q The same question with respect to paragraph 1(c).

18 A Yes.

19 Q And 1(d), the same question.

20 A Yes.

21 Q And continuing paragraph by paragraph with the
22 same question. 1(e)?

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A Yes.

2

Q And 1(f)?

3

A Yes. 1(g)?

4

Q Same question. Have all documents been produced?

5

A Out of my files? Yes.

6

Q And by your files, I mean the files of the bank.

7

A Anything of the bank.

8

Q Yes.

9

A Yes, the whole bank was searched.

10

Q The same question with respect to paragraph 1(g).

11

A Yes.

12

Q And 1(h).

13

A Yes.

14

Q Now, would you review the remaining paragraphs in

15

Schedule A and would you identify for me any items called

16

for in those remaining paragraphs that you have not caused

17

a search to be made and have not produced responsive

18

documents?

19

A Are you talking about (i) through the rest?

20

Q (i) through the rest of the schedule.

21

A Okay. I didn't cause a search to be made for

22

these, but I can pretty well swear to it that we wouldn't

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garyhoward 1 have found anything.

2 Q All right. You're referring to paragraph (i)?

3 A (i) and (j) and (k), although I did know that she
4 had a connection with Singlaub, but there's nothing in my
5 files relating to that.

6 Q All right.

7 A And (l) and (m) and (n). And whose tax records
8 are you talking about?

9 Q Well, with respect to subparagraph (o), and also
10 subparagraph (p), I believe Mr. Kaplan indicated in advance
11 of the deposition that those provisions of the subpoena are
12 being waived by both committees.

13 MR. KAPLAN: That's correct.

14 THE WITNESS: (q) -- okay, I'll go to (q). There's
15 probably something that's missing there.

16 BY MR. FRYMAN:

17 Q Well, up until subparagraph --

18 A Through (n).

19 Q -- through (n), is it your belief that anything
20 that's called for in the subpoena has been produced in
21 Glanz Deposition Exhibit 1?

22 A Yes, if it wasn't produced earlier.

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Maryhoward 1 Q And by being produced earlier, you mean in
2 response to a subpoena directed to Mrs. Garwood,
3 personally.

4 A Correct.

5 Q All right. Now, you were commenting on
6 subparagraph (q), I believe.

7 A Right. Should we go to (q)?

8 Q Yes. What is your comment related to (q)?

9 A Probably there's something in my files that has
10 the name "Andy Messing" on it, related only to the fact
11 that I addressed gifts to him.

12 Q And anything else in that group of names?

13 A If Singlaub was there, it was on a form letter.
14 But I don't think it was. I looked to see if I could find
15 anything with his name on it. But I didn't look through
16 all of the board of directors on every letter I've got in
17 my files.

18 Q Well, apart from General Singlaub.

19 A There's nothing, right.

20 Q All right. Any other names other than Messing and
21 Singlaub?

22 A No, those are the only two.

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garyhoward 1

Q So apart from those names, it's your belief that
2 any responsive documents in the bank's files have been
3 produced in this exhibit.

4

Correct?

5

A Correct. And to 3, the only one is the National
6 Defense Council Foundation.

7

That's it.

8

Q Now, Ms. Glanz, would you state again your current
9 position at the bank in Austin?

10

A I'm group head in charge of tax and operations and
11 recently entered into the administrative world.

12

Q And how long have you held that position as group
13 head?

14

A Group head?

15

Q Yes.

16

A I just looked that up recently. Probably four
17 years.

18

Q Can you briefly describe the nature of your
19 responsibilities in that position?

20

A Well, generally speaking, we have three group head
21 managers. We actually have four now, one being head of
22 group services, which is the operations and tax, one the

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garyhoward 1 head of marketing -- she used to be under me, but she split
2 off last year -- and one head of personal trust
3 administration, and one head of employee benefits.

4 Q Now, did you know a person named Ellen Garwood?

5 A Yes, I do.

6 Q Is she a client of the bank's?

7 A Yes, she is.

8 Q At what point in time did she become a client of
9 the bank's, if you know?

10 A The Garwoods have been associated with the bank
11 over many, many, many years. Mrs. Garwood's husband, Judge
12 John Garwood, was on the board of directors and served on
13 the directors trust committee, where I knew him personally
14 until his retirement, which was probably three years ago.
15 But I would say that probably goes back to the '50s. I
16 haven't had a chance to go look at the files yet.

17 Q Well, have you had any special responsibility for
18 the affairs of the Garwood family?

19 A I do now.

20 Q And when did that responsibility commence?

21 A That responsibility really commenced in late
22 February of 1986.

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garyhoward 1

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7

8 Q In connection with your work for the Garwood
9 family, have you ever heard the name Carl Channell?

10 A Yes, I have.

11 Q And have you heard the name, National Endowment
12 for the Preservation of Liberty?

13 A Yes.

14 Q What was the first occasion that you recall
15 hearing the name Channell?

16 A April 14th.

17 Q And what was the first occasion when you recall
18 hearing the name, National Endowment for the Preservation
19 of Liberty, or NEPL, N-E-P-L?

20 A April 14th.

21 Q Would you describe that occasion and what was said
22 to you?

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16

Waryhoward 1 A That was the day that Mrs. Garwood called me and
2 asked if she could come in early in the morning. I, of
3 course, told her to come right in.

4 Q I take it this is April 14, 1986. Is that
5 correct?

6 A Correct. I think I want to go off the record.
7 (Discussion off the record.)

8 BY MR. FRYMAN:

9 Q So the first time you discussed these names with
10 Mrs. Garwood was on April 14, 1986.

11 A Yes.

12 Q And the first contact with her on that day was a
13 telephone conversation.

14 A Simply asking if she could come in.

15 Q And did she mention either Mr. Channell's name or
16 the NEPL organization in the phone conversation?

17 A No.

18 Q And she did come in on the 14th. Is that correct?

19 A Yes, she did.

20 Q And how long did she meet with you on that day?

21 A Probably an hour.

22 Q All right. And what did she tell you about Mr.

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17

garyhoward 1

Channell and the NEPL organization?

2 A She simply said that she had returned from
3 Washington I think the day before, that she had been at a
4 very important meeting. She did not give names at that
5 time. She said that -- she asked if I knew that she
6 supported the Contras, and I had certainly heard that
7 contact of hers, and I said, yes. And she said, well, the
8 meeting had to do with coming to the rescue of the rebels,
9 that since the Congress had cut off funds going to the
10 rebels, that there were a need, a desperate need for their
11 survival. And that she wanted to make a gift of around \$2
12 million. I'm not sure whether she said \$2.0 or \$2.1. I
13 rather believe it must have been \$2.1, because I don't
14 think I would have given more than I was requested.

15 She said that I could contact Spitz Channell. And
16 she explained that his real name was Carl Russell Channell,
17 known to everyone as Spitz. And that he had an
18 organization that she could make the gift to and it would
19 qualify for a charitable deduction.

20 And I asked her the name of the organization and
21 she told me the National Endowment for the Preservation of
22 Liberty. And I asked her if she had a letter that showed a

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garyhoward 1 proof of their tax-exempt status and I think she did not
2 quite understand what I needed. And I said not to be
3 concerned, that I'd look for it.

4 I asked her how she wanted to make the gift and
5 she specifically said that Spitz had told her that it would
6 be more beneficial to her to make the gift in securities,
7 and could I go and get her securities and give them to her
8 and she would sign whatever necessary stock powers and we'd
9 just ship them off by Federal Express or Purelator, rather.

10 So I explained to her that the securities were
11 held in New York and the whole concept of a depository
12 trust company, which I don't think she ever quite
13 gathered. And she asked then, well, is it really more
14 beneficial to make them securities? And I said, yes,
15 probably, and I explained to her the concept of gifts of
16 appreciated property. She definitely had appreciated stock
17 in her portfolio.

18
19
20
21
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Mary Howard 1

Private
2
3
4

5 So I had that pulled up and asked her if she
6 wanted to pick the stock, and she said, no, I think maybe
7 you would be the better judge of that.

8 Q Did she give you any document during this
9 conversation in your office?

10 A Yes.

11 Q What did she give you?

12 A She showed me a small list of armaments.

13 Q Would you describe the list? How large a piece of
14 paper was it?

15 A About like that (indicating).

16 Q Could you indicate in inches so that the Reporter
17 can record?

18 A That's about 6 by 4, would you say? And I really
19 cannot promise you that. But it was more of a scratch
20 notepad type than it was of any formal size.

21 Q And she handed you the piece of paper. Is that
22 correct?

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garyhoward 1

A Yes, she did.

2 Q And what did she say about it when she gave it to
3 you?

4 A She said that, this is what they need, Anne.

5 Q What did she say to you about the source of this
6 piece of paper?

7 A That I can recall, she did not say anything about
8 the source of it, other than she'd brought it back with her
9 from Washington.

10 Q And you said there was a list of arma~~x~~ments on this
11 sheet of paper?

12 A Yes.

13 Q Do you recall the descriptions of any of the
14 armaments on the list?

15 A At this point, it's very difficult for me to
16 separate what Mrs. Garwood has told me was on that list and
17 what -- guns and bullets, I remember.

18 Q Anything else?

19 A Specifically, no. I did not want to dwell on the
20 list.

21 Q Do you recall approximately how many items were on
22 the list?

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garyhoward 1

A Eight to ten.

2

Q Was there any information on the list other than a

3

name of the type of armament?

4

A I've been asked many times whether there were

5

dollar signs and figures. I have a vague recall that there

6

was something other than the armaments and it could easily

7

have been dollars and figures.

8

Q Now, did Mrs. Garwood relate this list to the gift

9

that she proposed to make to Mr. Channell and the NEPL

10

organization?

11

A No more than to say, this is what they need,

12

Anne. She did not say, my money will buy this. There was

13

the general inferrment, but not the definite statement. I

14

certainly did not seek to get a further statement out of

15

her.

16

Q Was there a total number on the list?

17

A I have no memory of that.

18

Q Did Mrs. Garwood leave the list with you?

19

A Yes, she did.

20

Q What did you do with it?

21

A I called Duncan and he said, come up, and I gave

22

it to him.

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22

Mary Howard 1

Q Did you discuss it with him?

2

A Very briefly. I think we made a statement to the

3

effect that I wish we hadn't seen this. I'm not sure which

4

one of us said that.

5

Q Did you tell him you received it from Mrs.

6

Garwood?

7

A Yes, I did.

8

Q Did you tell him that Mrs. Garwood had obtained

9

this list at her meeting in Washington?

10

A I'm not sure if I told him that. I did tell him

11

that she brought the list to me and made a request for the

12

\$2.1 million.

13

I might add that this was the first time that Mrs.

14

Garwood had come in to me and kind of specifically made it

15

a fact that she had chosen me to be her banker, that I was

16

pretty much fronting everything, trying to keep the bank

17

kind of in proper focus.

18

But this was the first time that she personally

19

chose me to come to with the attitude that you're going to

20

be the one to do this.

21

Q Now you brought the list to Mr. Osborne and you

22

discussed it with him.

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23

garyhoward 1

Where was the list during your discussion with Mr.

2 Osborne about it?

3 A On his desk.

4 Q You handed it to him?

5 A I handed it to him and I believe -- well, I know

6 he must have put it down because we then turned completely

7 to the issue of what is the National Endowment for the

8 Preservation of Liberty? Do they have a 501(c)(3) letter?

9 Are they tax-exempt? Is the tax-exempt status current?

10 That was my concern.

11 Q And did you take any steps during that meeting

12 with regard to those questions that you and Mr. Osborne

13 raised?

14 A Yes.

15 Q What did you do?

16 A I'm hazy on the chronological order of events. I

17 know he spoke with David Glickman, is it, in Dallas.

18 Q Who is he?

19 A He's a tax counsel in Dallas, I believe. Was he

20 with the service once?

21 (Pause.)

22 Q Well, what do you believe Mr. Glickman's position

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garyhoward 1 was at that time?

2 A He was in private practice at the time. I knew of
3 him because I heard him speak at many seminars. But he
4 apparently was a friend of Duncan's. I would assume,
5 then, that Duncan chose him because he would know how best
6 to verify 501(c)(3) status through internal offices and do
7 it in a hurry.

8 To go back a little, Mrs. Garwood not only asked
9 for the money to be transferred, she seemed to have a great
10 deal of urgency about it, that this had to be in
11 Washington's hands by the next day, in Channell's hands.

12 Q By the next day, did you say?

13 A That was her request. Not the whole at once. She
14 said, we can give the major part tomorrow, by tomorrow.
15 But, say, and I don't remember how it came to divide it,
16 but that the balance had to be paid by no later than May
17 19th or May 20th.

18 Q And did she indicate the reason for this urgency?

19 A That the war would be lost. Or the rebels would
20 die.

21 Q So, in the call to Mr. Glickman, there was a
22 concern about obtaining a fast determination of the status

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1 Juryhoward 1 of this organization.

2 A Right. We had looked it up in the cumulative
3 bulletin, which was I think effective through April of the
4 prior year. No, it wouldn't have been that.

5 Anyway, it was not totally current. And, as you
6 know, that can be changed overnight. We found it and next
7 to it it had that it was advanced ruling that would expire
8 on 12/31/86. And I think when he saw that, he wanted to
9 get a copy and he also wanted to know who called to verify
10 at the service that it was still in effect.

11 Q Now, were there any other steps taken by you or
12 Mr. Osborne at this meeting other than the call to Mr.
13 Glickman with respect to this issue that you had been
14 discussing?

15 A No. He said that he would follow up on obtaining
16 a copy of the letter by telecopy, if he could. I had told
17 him I did not want to make, I did not want to transfer any
18 funds without seeing that letter and without being assured
19 that it was currently in effect.

20 Q How long did this meeting with Mr. Osborne last?

21 A Probably no more than an hour, if that.

22 Q And this was in his office, I take it.

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garyhoward 1

A It was in his office.

2

Q Was it just the two of you present?

3

A As far as I can remember, just the two of us.

4

Q Now, when you came in, you testified that you gave

5

the list to Mr. Osborne.

6

A Correct.

7

Q And you testified, I believe, that he put the list

8

on his desk.

9

A Correct.

10

Q Now, where was the list when you left his office?

11

A On his desk.

12

Q Why did you not take the list with you?

13

A I didn't want it.

14

Q Why?

15

A I didn't want it in my files.

16

Q Why?

17

A I was protecting my customer. I also felt that it

18

was not my concern. I was her trust officer, not her

19

attorney.

20

I might add that what Mrs. Garwood has is a

21

grantor revocable trust. The bank has absolutely no

22

discretion, except in investments, that the legal effect of

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garryhoward 1 that trust is that she owns the money and she has the right
2 to do with it what she wants to do.

3 Q Now, have you seen that list since you left Mr.
4 Osborne's office on April 14, 1986?

5 A No, I haven't.

6 Q Did you discuss the list in any way with Mr.
7 Osborne on any other occasion during April, 1986?

8 A No, I didn't.

9 Q Did you discuss the list any further during April,
10 1986 with Mrs. Garwood?

11 A No, I did not.

12 Q Did she ever ask about the list?

13 A No, I don't think she did.

14 Q Was anyone else present in your office when you
15 met with Mrs. Garwood on April 14th?

16 A No.

17 Q Did you make any sort of copy of the list?

18 A No, I did not.

19 Q Have you caused a search to be made of the bank's
20 files to locate the list?

21 A Yes, I have.

22 Q Would you describe the nature of that search?

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Maryhoward 1

A I went through every file in the vault. That's where we keep all files, including expanding folders. I went through a drawer in which I keep all pending affairs of the Garwood's. I emptied the drawer and put it back, the files that I had in there.

Q Right.

A I knew that the securities area had been involved in the transfer of the stock, so I asked the supervisor of the securities area to go through her files. I asked the administrative assistant and the one that works for another officer who I was using on the Garwood account. They went through their files.

Q And when --

A Or folders, you know, where they would keep.

Q And when did you cause these steps to be done?

A Within the last week. Now I had looked myself prior to that time when Duncan asked me to, before he came to see you the first time.

Q Now you have had an ongoing professional relationship with Mr. Osborne and you've consulted with him on other matters over a period of years.

A Yes.

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garyhoward 1

Q And there have been occasions, have there not,

2 where you've provided other documents to him in connection
3 with these consultations?

4 A Yes.

5 Q Now is there any procedure that has been employed
6 in the past for return of such documents, where they might
7 go to someone in the bank other than you when they would be
8 returned by Mr. Osborne? And I'm thinking specifically of
9 someone such as a secretary or an administrative assistant.

10 A No, not unless it's a sealed envelope that we
11 deliver between the floors.

12 Q Well, let me rephrase --

13 A You know, otherwise, we do ship things back and
14 forth to each other, either by secretary or by runner. But
15 that always happens in sealed envelopes.

16 Q Who was your secretary during April of 1986?

17 A I really didn't have one.

18 Q Who performed secretarial duties for you?

19 A Probably the tax clerk. She does other, she has
20 other duties, in that she does most of the work.

21 Do you want her name?

22 Q Yes.

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Maryhoward 1

A Kim McMohan.

2

Q How do you spell the last name?

3

A M-c-M-o-h-a-n, I believe.

4

Q And is there anyone who assists you in filing

5

materials in the department?

6

A She would or, actually, you leave them in a tray

7

and they get picked up and sent for filing to the central

8

file room, the file clerk.

9

Q And any one particular person in the central file

10

room at this point?

11

A No. The other assistant that's helped me mostly

12

on the Garwood is Charlotte Hambrick.

13

Q Now, have you discussed this list that we've

14

referred to with Ms. McMohan and Ms. Hambrick?

15

A Oh, no.

16

Q So you have not asked either of them if they are

17

aware of the existence of the list?

18

A No, because I had never told them about it.

19

Q Did you conduct the search for the list that you

20

described entirely by yourself, or did you have anyone

21

assist you?

22

A No, I did it really entirely by myself because

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1 Maryhoward 1 when I asked any of the others to -- I just asked them if
2 they had anything that had NEPL or Carl Channell's name on
3 it. I did ask them for that.
4 Q Did this list have NEPL or Carl Channell's name on
5 it, as you recall?
6 A As I recall, no.
7 Q Now you discussed the list with Mr. Osborne on
8 April 14, 1986, and with Mrs. Garwood on that same day.
9 Correct?
10 A I really didn't discuss it with them. I saw the
11 list. I might say I really did not want to study it. I did
12 not want to be a part of it.
13 Q Well, you testified that Mrs. Garwood showed you
14 the list --
15 A Right, right.
16 Q -- and she said, this is what they need.
17 A Right.
18 Q And you handed it --
19 A It's the kind of thing you look at and think,
20 well, I really don't want to look at that list.
21 Q And you gave it to Mr. Garwood and at least you
22 told him that --

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32

Mary Howard 1

A Mr. Osborne.

2

Q You have it to Mr. Osborne and at least you told

3

him that you had received this from Mrs. Garwood.

4

A That is for sure. I do not deny that I got the

5

list, that it was there, that it existed. But as to any --

6

Q Now those communications, whatever they were,

7

occurred on April 14, 1986.

8

A Correct.

9

Q When was the next occasion that you discussed or

10

commented in any way on the list, or anyone made a comment

11

to you about the list?

12

A I believe Duncan said something to me, whenever it

13

was that Mrs. Garwood went to him and told him that she

14

needed his help, that she felt that she probably needed to

15

reveal some information that she had kept from everyone.

16

Q And approximately when was that? Was it in 1987?

17

A No. I think there might have been a quick

18

reference in November or December.

19

Q Of 1986?

20

A Yes. When did the scandal break? And I guess

21

that would be the Iran-Contra diversion.

22

Q Well --

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garyhoward 1

2 A Whenever that was, it was probably the time. My
3 time schedule, it relates to that. But at that point, when
4 I first heard the name of Ollie North.

5 Q Well, is it correct that you believe that that
6 occurred in November or December of 1986?

7 A Right.

8 Q And how did the subject of the list arise at that
9 time?

10 A Duncan made an aside to me that I think Ollie
11 North was involved in that, Anne.

12 Q And by that, you understood him to mean what?

13 A The list. That was prefaced with, remember the
14 list? And then no more was said.

15 Q Was there any discussion of the location of the
16 list at that time?

17 A Not that I remember.

18 Q Where was this comment made? Was it in your
19 office or in Mr. Osborne's office?

20 A It was more likely to have been in Mr. Osborne's
21 office.

22 Q Was there any further discussion of the list at
that time?

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A No.

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Q When was the next occasion that the list was

3

mentioned?

4

A I think at the time that she was first called to

5

Washington.

6

Q And was that in 1987?

7

A That was in 1987.

8

Q And do you recall the month?

9

A February, I believe.

10

Q And what was the comment or discussion at that

11

time?

12

A That they really want that list.

13

Q And who is they?

14

A That was the independent counsel.

15

Q And were you asked to do anything with respect to

16

the list?

17

A No. I said, I don't have it.

18

Q What did you tell Mr. Osborne about your knowledge

19

of the location of the list?

20

A I don't think he asked me anything further at that

21

time. Then later, when he said, it's in the subpoena, that

22

we have to look for that list. I told him I would look

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garyhoward 1 through my files, but I felt certain that my whole intent
2 had been to give it to him and to get it out of my hands.

3 Q Well, did you tell him that your recollection was
4 that you last saw it on his desk?

5 A Probably not. I simply knew that I had handed it
6 to him and that I had no intention of taking it back.

7 Q Have you discussed the list since November, 1986
8 with Mrs. Garwood?

9 A No, I haven't because, again, I want to see if she
10 said anything to me about it.

11 (Pause.)

12 Okay, I'll change that. The first telephone call
13 that I had with the independent counsel, he asked me, or
14 one of the associates for him, obviously, he asked me what
15 I remembered was on the list. Later on, when I was talking
16 to Mrs. Garwood on the phone, I told her that they'd asked
17 me what was on the list. And she asked me, what did you
18 say was on the list? And I said, guns and bullets and I
19 think missiles. And she said, oh, no, Anne. There were no
20 missiles on that list. And I think she thought, there she
21 goes. She's all confused between Star Wars.

22 I have all the time keeping up with all of her

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various interests.

2 Q Did she make any comment about the possible
3 location of the list at that time?

4 A No, she didn't, except -- here, again, I'm not
5 sure whether she told Duncan or she told me or Duncan told
6 me, but there is the fact that she did tell someone that
7 she went home that day and tried to reconstruct that list.
8 I am aware of that. And I think she has a much clearer
9 memory of what's on that list than either of us do.
10 Certainly than I do.

11 Q Going back to the meeting in Mr. Osborne's office
12 on April 14, where you handed him the list and, according
13 to your recollection, you left the list with him, I believe
14 you testified that it was your view that you did not want
15 that list in the bank's file.

16 A Correct.

17 Q Or in your customer's file.

18 A Right.

19 Q What was the reason for that?

20 A I just particularly didn't want to think that I
21 was involved in any arms purchasing or running or whatever
22 the terminology is.

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Q Did you believe it had tax consequences?

2 A I'm not sure if it was that. I didn't think it was
3 any of my business. If I could verify that that
4 organization that I was making a transfer to had tax-exempt
5 status, that she had mentioned to me many a time that she
6 was helping her President. I didn't know who I was to
7 question that. I didn't feel, though, that -- I wasn't
8 really sure that there was a correlation between that list
9 and the gift we were making.

10 Q When you say you were not really sure, but I
11 believe you have testified that in the conversation where
12 Mrs. Garwood proposed a transfer of more than \$2 million to
13 this organization, it was in connection with her handing
14 you this list and explaining that this is what they need,
15 was it not?

16 A That is what she said at that time.

17 Q All right.

18 A As time has gone on, I myself have asked Carl
19 Channell if her money has gone for humanitarian reasons.
20 And he always assured me it was.

21 Q And are those assurances from Mr. Channell the
22 basis for your possible uncertainty as to the ultimate use

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garyhoward 1 of the gift?

2 A Yes, that and to the method in which he started to
3 inflict a stronger and stronger pitch for more and more
4 money.

5 Q This was at a subsequent time?

6 A This was at a subsequent time. Everything I say
7 now is going back, I'm not sure how much is colored by what
8 I've determined since then.

9 Q Ms. Glanz, I have no further questions. My
10 colleagues, Mr. Kaplan or Mr. Buck, may have some questions
11 at this time.

12 MR. KAPLAN: I have no further questions.

13 MR. BUCK: I have one or two quick questions.

14 EXAMINATION

15 BY MR. BUCK:

16 Q Did you ever see a list after April 14th? Mrs.
17 Garwood may have made more contributions. Did another list
18 ever show up at any time?

19 A No.

20 Q Did Mrs. Garwood ever indicate at any time that
21 any future donations would be for anything other than
22 humanitarian reasons?

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A No.

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MR. BUCK: I have no further questions.

3

MR. FRYMAN: Ms. Glanz, thank you very much.

4

MR. KAPLAN: Thank you. You've been very patient.

5

MR. FRYMAN: Off the record.

6

(Signature not waived.)

7

(Whereupon, at 5:34 p.m., the taking of the
8 deposition was concluded.)

9

10

Anne Glanz

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CERTIFICATE OF NOTARY PUBLIC & REPORTER

I, Gary S. Howard, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn by me; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of the action.

Gary S. Howard
Notary Public in and for the
District of Columbia

My Commission Expires November 14, 1990.

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